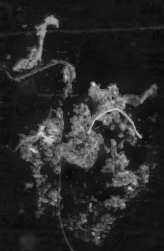
Ontario Securities Commission

A *changing* Commission for a *changing* Market



1997 Annual Repor

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ABBREVIATIONS

Act	Ontario Securities Act
CDN	Canadian Dealing Network Inc.
CDS	Canadian Depository for Securities Ltd.
CFA	Commodity Futures Act
CFAB	Commodity Futures Advisory Board
CICA	Canadian Institute of Chartered Accountants
CSA	Canadian Securities Administrators
FDAB	Financial Disclosure Advisory Board
IDA	The Investment Dealers Association of Canada
IFIC	The Investment Funds Institute of Canada
IOSCO	International Organization of Securities Commissions
MD&A	Management Discussion and Analysis
MOU	Memorandum of Understanding
OSCB	Ontario Securities Commission Bulletin
Regulation	Regulations promulgated under the Act
SAC	Securities Advisory Committee
SEC	US Securities and Exchange Commission
SEDAR	System for Electronic Document Analysis & Retrieval
SRO	Self-Regulatory Organization
TFE	The Toronto Futures Exchange
TSE	The Toronto Stock Exchange

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July 30, 1997

The Honourable Ernie Eves, Q.C.
Minister of Finance
7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto, Ontario M7A 1Y7

Dear Minister,

I am pleased to submit to you the Ontario Securities Commission's Annual Report for the fiscal year ended March 31, 1997.

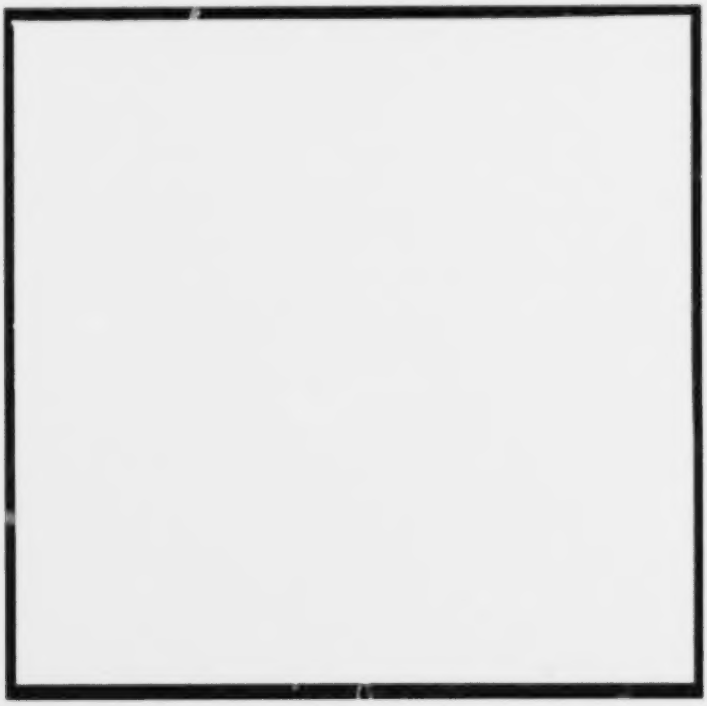
It has been a year of significant development and change for the Commission, none of which would have been possible without your assistance and support. Proclamation of Part VII of the *Job Growth and Tax Reduction Act* will permit the OSC to become a self-funded government agency. This will allow us to obtain additional and much needed staff and technology to fulfill our dual mandate of protecting investors and fostering the efficiency and integrity of the capital markets. Without doubt, these steps will ensure we become a stronger and more effective regulator.

I thank you and your staff at the Ministry of Finance for your support and interest throughout the year, and look forward to continued collaboration during the upcoming year of transition.

Sincerely,

John A. Geller, Q.C.
Chair

Message from the **Chair and Executive Director**



Brenda Eprile, Executive Director and John Geller, Chair

Facing Uncertainty

The transition to a federal securities commission that we anticipated last year has not occurred, nor does it appear to be likely to happen in the near term. For most of the financial year the Commission's status and funding position remained frozen awaiting the result of that initiative. When it became apparent that a federal securities commission would not be formed in the near term, the Minister of Finance proceeded with a self-funding initiative, and, in June of this year, the Legislature enacted amendments to the *Securities Act* creating a more autonomous, self-funded Ontario Securities Commission. The Commission will be focusing a good deal of its attention during the current year on making a successful transition to its new status. We are pleased that the OSC can look forward to having the tools and funding it needs to better carry out its mandate. We applaud the government for making these fundamental reforms, which will benefit investors and the capital markets in years to come by making it possible for the Commission to strengthen investor protection and improve market efficiency.

Despite the considerable uncertainty throughout the last year about the future structure of the OSC, and a severe lack of resources, the Commission has a great deal to be proud of. It has, albeit with some difficulty, kept pace with the high volume of activity in the securities markets. It has also continued to exert considerable effort on the policy reformulation project, which should be substantially completed during the current fiscal year. It has completed the implementation of its organizational restructuring, made significant process improvements in a number of areas, appointed and trained new management in most parts of the Commission, and undertaken a significant business planning effort designed to set its course for the next three years. Failing implementation of a national commission, greater efforts have been focused on improving coordination in the existing securities regulatory system across the country to minimize overlap and duplication.

Improving Regulator y Effectiveness

As part of its planning for the future, the Commission has identified key strategic challenges facing it, including globalization and integration of capital markets, the impact of technology on the markets it regulates, the increasing dominance of the secondary market, and the regulated community's expectations of clearer rules, more accessible and user friendly services, and faster response times. In light of these challenges several strategies have been developed that will assist the Commission in achieving its objectives of providing an efficient and effective regulatory environment, enhancing Ontario's competitiveness within the international economy and maintaining Ontario as an attractive investment destination. (Appendix B contains a list of the strategies adopted by the OSC.)

The Commission has decided to emphasize oversight of self-regulatory organizations, rather than direct regulation of registrant activities, and is thus encouraging the Investment Dealers Association of Canada and The Investment Funds Institute of Canada to develop proposals for a method of including mutual fund distributors in the self-regulatory scheme.

The importance of the secondary market means that more resources will be devoted to matters such as continuous disclosure, including changes to the reporting regime itself, and scrutinizing filings.

The Commission also intends, where appropriate, to "adopt or adapt" policies developed by other regulators that are desirable in its marketplace. Staff is watching the progress of the company registration proposals (the "Wallman Report") in the United States, and the Canadian Securities Administrators are actively considering its applicability in the Canadian marketplace.

In setting the stage for greater focus on continuous disclosure, the Commission undertook a major initiative to refine the screening process used to select offering documents to be subjected to detailed reviews or reviews of specific issues. Streamlining the review process for offering documents will allow the Commission to redirect resources to the review of continuous disclosure filings, which are much less often reviewed under the present system. The Commission has been discussing this change in emphasis with the other Canadian Securities Administrators, and it appears that the concept has gained general acceptance. Adopting the same or a similar selective review system across the country would assist in implementing a framework of mutual reliance among Canadian regulators. Such an approach will result in most cases in only one commission reviewing a particular filing. The Canadian Securities Administrators are pursuing similar approaches in the areas of registration and application processing. These initiatives should go a long way to making Canadian securities regulation operate more effectively and efficiently, to the benefit of the marketplace.

The Commission has initiated a fundamental review of its registration processes, in response to continued, significant strain on the system. The present complexity in the system is unwarranted. The Commission has decided to revamp the processes used to review registration applications, significantly streamline the registration requirements themselves, and introduce end-user, interactive computing to eliminate the delays caused by clerical processing. Although considerable work has been done on this initiative, due to its magnitude and the significance of the systems component significant process improvements will take some time to realize.

As part of its business planning process, and in order to receive feedback on its current performance, the Commission has consulted its various constituencies through focus group sessions. This consultation process has been extremely valuable in ensuring that the Commission's plans are responding to many of the needs of the various participants in the marketplace. The Commission has sharpened its focus on its most essential priorities as a result. The Commission appreciates the time and effort that focus group participants contributed in providing it with candid feedback about its operations and future direction.

The Commission has introduced ongoing special training for staff members on issues relevant to the work they perform. Staff has had the privilege of hearing from experts in many areas of the capital markets as participants at these training sessions. The Commission is grateful to these experts for sharing their insights with our staff. This program represents a significant investment in staff to enhance their understanding and knowledge of developments in capital markets.

Changing the Regulatory Regime

After substantial consideration, the investment funds industry, through the Investment Funds Steering Group, has provided its response to the Stromberg Report recommendations for changes that should be made to the regulation of the industry. Mid-year, the Canadian Securities Administrators established a high level implementation committee, chaired by OSC Vice-Chair Morley Carscallen, to review both sets of recommendations with a view to establishing the implementation framework for changes in this area.

The implementation committee has made detailed recommendations to the CSA Chairs on the implementation of the Stromberg and Steering Committee recommendations, and the CSA Chairs have accepted the implementation committee's recommendations. Work on a number of the Stromberg recommendations has been proceeding over the last couple of years, and the implementation committee has created a roadmap for dealing with the balance. Reform of the mutual fund regulation scheme is a top priority for the CSA, and the implementation committee will be monitoring and assuring progress.

The final report of The Toronto Stock Exchange's Committee on Corporate Disclosure (the "Allen Report") was received a few months ago. The Committee was established at the request of the CSA, and the CSA Chairs have welcomed its report. Staff from several CSA members are working on draft legislation to be recommended to governments for implementation.

Improving Regulator y Efficiency

In the fall of 1996, the CSA decided to conduct an in-depth review of technology systems and development plans across the country, with a view to greater harmonization, information sharing and shared development. A formal study was

commissioned last year and is currently underway. Final recommendations on strategies to be adopted by the CSA in order to achieve these goals will be received shortly. A more coordinated approach to systems infrastructure and applications development will enhance CSA performance and improve regulatory efficiencies across the system. Greater harmony in the systems area will provide vital support for many of the CSA's business processes as it moves to more of a "virtual" national commission by way of mutual reliance in core functions.

Balancing Our Mandate

There has been recent criticism of the regulatory processes and standards for mining companies in Canada in the wake of the Bre-X gold stock scandal. Although it makes sense to examine our current regulatory environment in this area, including the details of requirements for independent experts to report on mineral reserves, as a result of the Bre-X fiasco, and the Commission and other CSA members are doing so, unfortunately frauds can and do occur in the best regulated markets.

Toronto is well known as a major global mining financing centre and the standards of the Commission and The Toronto Stock Exchange in this area measure up well in comparison to those of other major markets. As regulators, the CSA members need to balance investor protection against the need for companies to raise capital from the public at a cost which is not prohibitive. Striking the right balance is more art than science. No doubt some changes in the regulation of mining companies will be found to be advisable. The OSC and TSE have established the Joint Task Force on Mining Financing to make recommendations as to regulatory reform in this area.

Ontario has one of the most sought after capital markets in the world, and preserving its integrity and vitality is of critical importance. In considering what improvements should be made to the system, the OSC will seek to maintain the delicate balance discussed above.

Future

The OSC's current Statement of Priorities, which is included as Appendix A to this report, highlights that, of the many priorities requiring the Commission's attention, a few must be proceeded with in the current year. Mention has already been made of the need to manage the process to a self-funded agency, and of the importance of harmonizing the Commission's regulatory standards and practices with those of its CSA colleagues. In addition, the Commission will press ahead to complete the policy reformulation process which has occupied a lot of its attention over the past two years. In order to communicate with a wider audience, the Commission recognizes the need to have a meaningful presence on the World Wide Web. Broader communication should assist the OSC in keeping focused on its constituents' needs. Finally, its constituents have made it very clear that it needs to bring closure to some of the outstanding reports that have been tabled with it, including responding to the Allen Report on continuous disclosure, the TSE Report on Fragmentation and the Recommendations of the CSA Investment Funds Implementation Group.

There are other important priorities such as enforcement, which deserve attention. The Commission has recently seconded an experienced senior litigator to manage its litigation area as a first step in rebuilding the strength of its enforcement resources. In order to tackle significant, complex enforcement cases the Commission will continue to add expertise in this area, and in other parts of the Commission to provide the necessary support to the enforcement function.

The Commission will also be devoting greater resources to technology and hiring additional staff to focus on regulating continuous disclosure.

Acknowledgement

Edward J. Waitzer completed his 3-year term as Chair of the Commission at the end of October, 1996. Ed is a preeminent securities lawyer, as well as a keen and thoughtful policy analyst and skilled people person. This combination of talents enabled him to initiate and advance a number of very significant policy initiatives during his term. These included the Stromberg Report, the Steering Group Report, the Allen Report and the Report of the Task Force on Small Business Financing.

At the same time, Ed played an important role in improving the effectiveness of the Commission and the CSA, and served as Chairman of the Technical Committee of the International Organization of Securities Commissions, in which role he made a great contribution to more effective co-operation among financial service regulators.

Along with Ed's other colleagues at the Commission, we greatly enjoyed working with him, and thank him for his leadership and guidance.

John A. Geller
Chair

Brenda J. Eprile
Executive Director

Mission, Goals and Focus of a **Changing OSC**

Our Mission

To protect investors from unfair, improper or fraudulent practices, and to foste fair and efficient capital markets and confidence in their integrity

Our Goals

In the context of its statutory mandate, the goals of the OSC are to suppor economic growth and job creation in Ontario by:

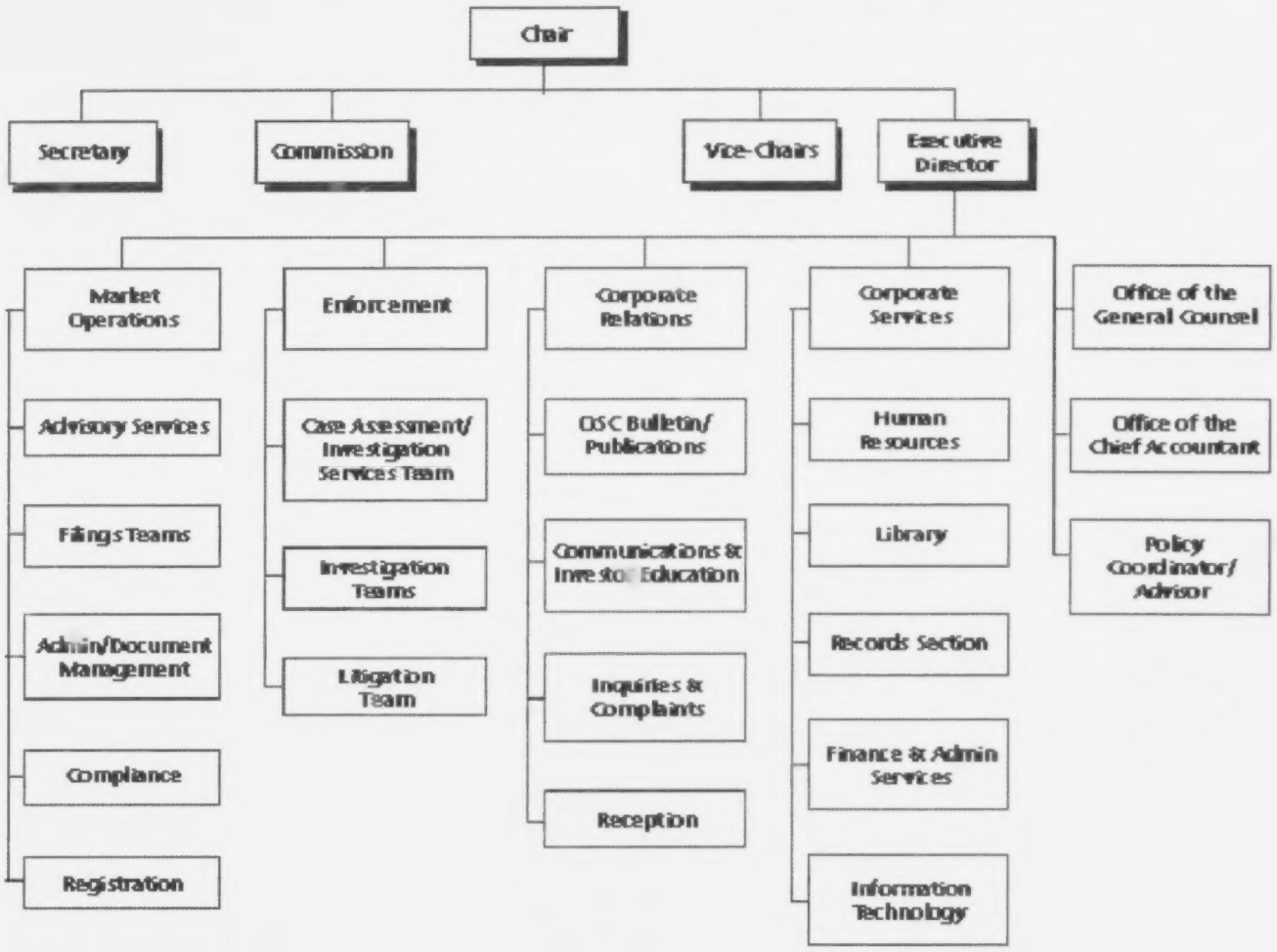
- providing an efficient and effective regulatory environment.
- enhancing Ontario's competitiveness within the international economy
- maintaining Ontario as an attractive investment destination.

Our Focus

In the pursuit of these goals, the OSC will be a relevant and constructive force in the growth of the Ontario capital market and economy and in the protectio of investors by:

- investigating and enforcing actions against serious infractions of securities lav
- encouraging and supporting self-regulation of the securities markets.
- using education to encourage honest and fair practices.
- assisting market participants in complying with regulatory requirements.
- implementing effective oversight of self-regulatory organizations.

The Ontario **Securities Commission**



The Ontario Securities Commission is the regulatory body responsible for overseeing the securities industry in Ontario. It administers the *Securities Act* and the *Commodity Futures Act* as well as certain provisions of the *Ontario Business Corporations Act*.

The OSC registers individuals and companies who give advice about or trade in securities or future contracts. It reviews offering and continuous disclosure documents and conducts compliance reviews of registrants, issuers and other market participants. It grants certain discretionary exemptions from the registration and prospectus requirements in the *Securities Act*. It investigates possible violations of Ontario securities law and commences proceedings before the Commission or prosecutions before the Ontario Court of Justice (Provincial Division).

The economy of Ontario relies on capital markets to play a pivotal role in the capital formation and wealth creation process. A strong capital market also generates significant jobs in the financial services sector. The OSC encourages markets that are efficient, open and fair so that viable businesses can raise financing and investors can have confidence in market integrity. Markets are "efficient" when capital can be raised and securities traded quickly and without unnecessary costs or impediments. Markets are "open" when current, complete and comparable public information about issuers and market activity is available. Markets are "fair" when customers' interests come first and investors are protected from market abuses.

Regulatory activities must be visible, understandable and cost-effective in order to maintain public confidence in the OSC. In achieving these aims and fulfilling its mission, the *Securities Act* sets out the principles that guide the OSC's activities:

- effective and responsive securities regulation requires timely, open and efficient administration and enforcement.
- integration of capital markets is supported and promoted by the sound and responsible harmonization and co-ordination of securities regulatory regimes.
- the enforcement capabilities and regulatory expertise of recognized SROs should be relied upon by the OSC, subject to appropriate oversight.
- business and regulatory costs and restrictions should be proportional to the signficance of the regulatory objectives sought to be realized.
- an appropriate balance between protecting investors and fostering fair and efficient markets must be achieved.

The Commission is an independent administrative tribunal the members of which are appointed by Order-in-Council, and is composed of a full-time Chair, up to two full-time Vice-Chairs, and eight other Commissioners who serve on a part-time basis. The Commission formulates policy, makes rules, sits as an administrative tribunal in hearings, hears appeals from decisions made by the Executive Director and staff, hears appeals from decisions of The Toronto Stock Exchange, The Toronto Futures Exchange and the Investment Dealers Association of Canada, exercises discretion respecting securities regulatory requirements and makes recommendations to the Minister of Finance for changes in legislation and regulation.

The OSC is currently a Schedule I regulatory agency of the Ministry of Finance. Upon proclamation of Part VII of the *Job Growth and Tax Reduction Act* it will become a self-funded corporation without share capital. The Commissioners will become the OSC's independent Board of Directors. The Chair of the Commission will report to the Minister of Finance.

1996/1997 **Highlights**

Mutual Reliance Project

The Canadian Securities Administrators (the organization of the securities regulators of the provinces and territories of Canada) has agreed to develop a mutual reliance system designed to make it possible for an issuer, applicant or registrant to file with each relevant jurisdiction, but deal only with a lead jurisdiction. The mutual reliance system will apply to prospectuses, continuous disclosure filings, applications for exemptions and the registration of dealers, advisers and their employees.

Investment Funds Regulatory Refor m

The OSC's joint industry and regulatory advisory group, the Investment Funds Steering Group, issued its final report "The Stromberg Report: An Industry Perspective" in November 1996. The Steering Group's report provided advice to the CSA on changes to the regulatory regime applicable to investment funds. The CSA's Investment Funds Implementation Committee reviewed this report and the Stromb rg Report, and made recommendations as to implementation to the CSA Chairs, who have adopted the recommendations. Several implementation projects are now underway. A proposed national rule to regulate mutual fund sales practices, based on the draft rule published by the OSC in August 1996, will be published for comment in the near future. Changes to the mutual fund prospectus regime, as discussed in a proposal released in January 1997, are being considered.

National Compliance Review

The OSC and the provincial securities regulators in Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick and Nova Scotia conducted the first national compliance review of a registrant in April 1996. The NCR is a program whereby regulators undertake reviews of the head office and selected branch office operations of an independent mutual fund dealer. Staff assess the dealer's compliance with applicable provincial securities regulations, identify internal control weaknesses, make recommendations for improvement and issue a deficiency report. This year's compliance review has recently been completed.

SEDAR

The System for Electronic Document Analysis & Retrieval received its first filing in electronic form in January 1997. SEDAR, an initiative of the CSA, is a one-stop filing facility for filers, issuers, law firms and transfer agents who submit public offering and continuous disclosure documents to Canadian securities commissions. By fiscal year end, SEDAR received more than 7,000 filings.

Small Business Financing

Staff is reviewing and working toward preparing its recommendation for the Commission in response to the final report of the Task Force on Small Business Financing. Staff has adopted a practical approach in considering the Report recommendations, balancing scarce resources, overall priorities and a desire to see implementation of those recommendations that could improve access to financing for small and medium-sized business enterprises. With the Commission's concurrence, staff divided the Report recommendations into two broad categories: (i) recommendations that should be pursued at this time, including

those relating to propectus and registration exemptions and small business prospectus forms; and (ii) recommendations that should not be pursued at this time, such as those relating to the elimination or reduction of liability.

Bond Transparency

The OSC approved an IDA regulation that will increase transparency in the bond and money markets. IDA Regulation 2100.4 permits the establishment of CanPX Corporation, a company to which approved inter-dealer bond brokers will be required to provide real time market price, volume and other information on terminals run by information vendors. The Regulation also provides for other organizations to apply for status as a recognized market transparency organization. Reuters Information Services (Canada) Ltd.'s application to the IDA to be recognized as a recognized market transparency organization has been denied, and Reuters has appealed the decision to the Commission.

Information Sharing with the SEC

The OSC and the Securities & Exchange Commission in the United States agreed to share information about enforcement-related actions taken against issuers whose securities trade in the markets of both countries. Regulators will notify each other whenever enforcement related actions are taken.

Memorandum of Understanding with the Hong Kong Securities & Futures Commission

The OSC and the Hong Kong Securities & Futures Commission signed a Memorandum of Understanding on February 25, 1997, to provide assistance and facilitate the exchange of information between the two commissions. MOUs foster regulatory cooperation in today's increasingly global capital markets.

Reformulation

Staff made significant progress in the reformulation of blanket orders and rulings, related blanket-ruling based policy statements and certain other local and national policy statements into rules. Over 40 items have been published in the OSC Bulletin. The *Securities Amendment Act, 1995*, grants the Commission the authority to make rules having the effect of regulations in respect of a range of specified matters. The Amendments provide the Commission with sufficient statutory authority to continue to regulate effectively in a flexible and responsive manner.

Mutual Fund SRO

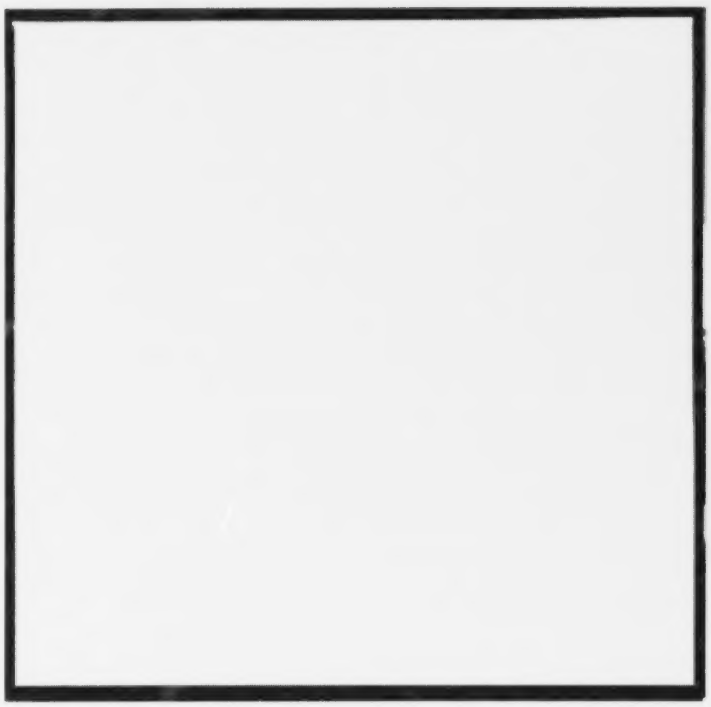
The Commission has decided to improve the effectiveness of regulation of the securities industry by requiring all dealers, including mutual fund dealers, to be members of a self-regulatory organization. The Commission will be publishing a rule along these lines for comment later this year. This step will ensure greater resources can be devoted to compliance and enforcement efforts for this segment of the industry. The Commission is working with The Investment Funds Institute of Canada and the Investment Dealers Association of Canada to develop a self-regulatory model that combines the strengths of both organizations.

Integrated Disclosur e

A number of initiatives are underway that will support moving toward an integrated disclosure regime in Canada. The Commission and the other members of the CSA intend to pursue the concept of introducing civil liability for continuous disclosure as recommended by the Allen Report. This is seen as an essential element in the framework of an integrated disclosure system. As the Commission adds resources in the filings area, it intends to devote considerable attention to the review of continuous disclosure filings, an important program area in an integrated disclosure environment. Other steps to be taken include considering the appropriateness of an issuer registration model in Canada, similar to that proposed last year in the United States in the Wallman Report.

Market **Operations**

The mandate of the Market Operations Branch is to protect investors and to enhance capital formation by encouraging and facilitating innovation, integrity fairness and efficiency of the capital markets.



Toni Ferrari, Manager, Compliance (left) and Elle Koor, Sales Compliance, prepare for a compliance review

The Market Operations branch consists of six teams that concentrate on the regulation of reporting issuers and registrants. Admin/Document Management, Advisory Services and the two Filings teams focus principally on issuer regulation through the filing, selection for review and review of offering and continuous disclosure documents, and the processing of discretionary applications for relief from securities regulatory requirements. Registration and Compliance focus on registrant regulation through the licensing of market participants and ongoing monitoring of registrant solvency, back office operations and sales practices.

Mutual Reliance Project

Mutual Reliance System for Issuers, Registrants, and applicants

Early in 1997, the CSA agreed to develop a mutual reliance system for the review of prospectuses, continuous disclosure filings, applications for exemptions and the registration of dealers, advisers and their employees. Under this system, each issuer, applicant or registrant will file with each relevant jurisdiction but deal only with a lead jurisdiction. Each jurisdiction will retain its statutory discretion or authority under securities legislation but will rely in most cases on the review conducted by the lead jurisdiction.

The CSA will develop criteria for determining a filer's lead jurisdiction and standards for the review of filings. These standards, although not necessarily identical in each jurisdiction, will be compatible and will be acceptable to each member jurisdiction.

The CSA expects that the implementation of a mutual reliance system among jurisdictions will improve both the efficiency and effectiveness of securities regulation in Canada.

Issuer Regulation

Statistics

Unless otherwise indicated, the performance measures are based on information from the last two quarters of fiscal 1997.

Reporting Issuers

As of March 31, 1997, there were 3,641 reporting issuers comprising 1,144 mutual fund reporting issuers and 2,497 non-mutual fund reporting issuers. This represents an increase of 7.6 per cent over the previous fiscal year. Cease traded reporting issuers, which are excluded from the above figure, numbered approximately 800.

Although the selective review process for offering documents was refined this year, due to limited staff resources the focus has been almost exclusively on the review of offering documents. Minimal continuous disclosure review was undertaken during this period. The only continuous disclosure reviews undertaken were of CDN issuers and the findings from these reviews underscore the need to be devoting more resources to continuous disclosure reviews in the future. With additional resources from self-funding we will be able to tackle more in this area in the future.

Prospectuses

In 1996/97, there was an increase of 277 offering documents, or 47 per cent, over the 1995/96 total. Industrial companies, mining companies, oil and gas companies, and derivative securities accounted for the significant increase in offering documents. In 79 per cent of the prospectuses filed during the second half of the fiscal year, staff met the time frames set out in National Policy Statement No. 1 for comment letters (ten business days from the date of the preliminary receipt if Ontario is the primary jurisdiction, otherwise five business days). On average, it took seven to eight weeks to clear prospectuses subject to full or issue-only reviews through a Filings Team during the same time period.

Market Operations Statistics – Prospectuses (note 1)

	Number Accepted	
Type of Offering	*1997*	*1996*
Industrial Company	282	208
Finance Company	18	16
Bank	19	16
Mining : Junior	102	38
Mining : Other	82	35
Oil & Gas : Junior	41	15
Oil & Gas : Other	77	44
Trust Company	1	0
Real Estate Project	21	18
Derivative Securities	17	6
Miscellaneous	16	29
Film	2	0
Mutual Fund (note 2)	166	156
Scholarship Plan	3	4
Labour Sponsored Investment Funds	15	N/A
Total	862	585
% Change	47%	

Notes: *1. The table includes short form prospectuses. It does not include prospectuses which were withdrawn or for which the Director refused to issue a final receipt.*

2. The number of mutual fund prospectuses accepted is not representative of the total number of mutual funds as in most cases a prospectus qualifies more than one mutual fund.

Applications for Discretionary Relief

During 1996/97, 813 applications for discretionary relief from a variety of regulatory requirements were filed. Of the applications filed during the final two quarters of fiscal 1996/97, 45 per cent were s.74 applications which provide for exemptions from registration and/or prospectus requirements. The average processing time for applications during the fiscal year was 25 days.

Projects

Civil Liability for Continuous Disclosure/Company Registration

In March, the TSE issued the Final Report of the Committee on Corporate Disclosure entitled "Responsible Corporate Disclosure: A Search for Balance". The Committee made three categories of recommendations aimed at improving the quality and timeliness of information provided to investors in the secondary market.

First, it recommended the adoption of statutory civil liability for continuous disclosure, subject to certain limitations which are described in the Report. Second, it recommended several initiatives designed to improve the effectiveness of the regulatory network that creates, monitors and enforces continuous disclosure rules in Canada. Third, it recommended movement towards a fully integrated disclosure system, rather than the current distinction between transactional disclosure and continuous disclosure.

The recommendations provide a detailed road map for deliberations by regulators and legislators in Canada and the Committee asked that the CSA take the lead in vigorously pursuing the recommendations contained in the Report so that it can enter the legislative process on a priority basis.

The Commission supports these recommendations as they are consistent with its plans to increase the emphasis on activities relevant to the secondary market and increase the attention devoted to reviewing continuous disclosure filings of reporting issuers; and since it supports modification of the securities regulatory framework to introduce an integrated disclosure system and liability for continuous disclosure for reporting issuers.

Following the release of the Report, the CSA Chairs agreed to deal with its recommendations on a priority basis and created a task force of CSA staff representing the British Columbia Securities Commission, the Alberta Securities Commission, the Commission des valeurs mobilières du Québec, and the Ontario Securities Commission, to prepare a proposal for moving this important initiative forward. The task force is finalizing draft legislation which the CSA will be recommending to their governments.

Investment Funds – CSA Investment Funds Implementation Committee

Investment funds continued as an important regulatory focus during 1996/97, following on from the 1995 release of the report of OSC Commissioner Glorianne Stromberg, "Regulatory Strategies for the Mid-90s: Recommendations for Regulating Investment Funds in Canada". The Commission's joint industry and regulatory advisory group, the Investment Funds Steering Group, convened to provide advice to the CSA on changes to the regulatory regime applicable to investment funds and presented its final report "The Stromberg Report: An Industry Perspective" in November 1996. The Steering Group's report was the culmination of a consultative process that involved a cross-section of industry and regulatory representatives.

The Investment Funds Steering Group processes resulted in a high degree of awareness within the industry and among the CSA as to the issues discussed in the Stromberg Report. A high-level CSA implementation committee reviewed the Stromberg Report, as commented on by the Steering Group, and has recommended a process for implementing changes to the regulatory regime. These recommendations were adopted by the CSA Chairs. The CSA is considering several high priority regulatory policy projects identified by the implementation committee, as well as projects that are contingent on the completion of other regulatory and industry initiatives.

The CSA has proceeded with several proposals to change investment fund regulation, including a proposed national rule to regulate mutual fund sales practices which will be based on the proposed Commission rule published for comment on August 29, 1996, and a revised prospectus disclosure system for mutual funds described in a concept release published by the CSA for comment in January 1997. The proposed national rule to replace National Policy Statement No. 39 Mutual Funds has been published for comment, and contains several changes to the existing regulatory regime to give effect to recommendations made in the Stromberg Report and supported by the Steering Group.

Selective Review

In July 1996, after nearly two years of experience with selective review of offering documents, the Advisory Services Team undertook a special project to refine the selection process in order to more accurately identify those higher-risk non-mutual fund preliminary prospectuses where detailed regulatory scrutiny would add the most value. As part of this project, every non-mutual fund preliminary prospectus filed was reviewed by a senior lawyer and senior accountant, and weighted risk-based selection criteria were developed.

The project team tested the efficacy of the selection factors and of their mode of application in two ways: (i) by follow-up analysis of a sample of the preliminary prospectuses selected for detailed review to determine whether material issues were identified; and (ii) by follow-up analysis of a sample of those documents selected for screening-only review, to determine whether material issues had been missed. The test results showed that the application of the weighted, risk-based factors, combined with certain discretionary overrides (including the ability to select randomly) and the ability to select for issue-only review, is effective to direct documents with materially defective disclosure for full review, and to screen out offering documents with acceptable disclosure from the detailed review process.

Discussions of Ontario's selective review procedures have been held with staff of other CSA jurisdictions in connection with the CSA Chairs' direction that staff create a mutual reliance model for national prospectus filings.

The most notable trend observed in the year was the proliferation of income and royalty trusts. Junior resource and high tech offerings also represented a significant portion of files reviewed. Approximately 60 per cent of the offerings screened were IPOs.

The selective r eview statistics since July are as follows:

Prospectus Type	*Screening Only*	*Issue Oriented Review*	*Full Review*	*Total*
Long Form	46%	22%	32%	100%
Short Form	89%	8%	3%	100%
Investment Funds	2%	49%	49%	100%

Process Review of Applications for Discretionary Exemptive Relief

Staff has identified areas for improvements in the review process of applications. These improvements are designed to result in efficiency gains and to allow staff to focus on the more substantive policy issues which arise in processing applications.

Changes to the process have occurred in the following areas: where appropriate, standard form memos are used in making recommendations to the Commission and oral presentations are made for routine applications; a level of review for all applications has been eliminated and replaced with a mentoring system for new staff, the informal exchange of memos among staff, and regular discussions with the Chair or a Vice-Chair on complex applications; time frames for processing an application have been established; and, a reliable and extensive electronic precedent system is being implemented to improve the consistency and efficiency in the processing of applications.

Consideration has also been given to the overall approach to handling applications. Staff is being encouraged to shift away from a technical review of applications to a more policy-oriented approach to the discretionary relief requested. To this end, specific types of applications have been targeted for a change in approach. For example, the SRO by-law/rule review process is being streamlined. SRO by-laws identified as purely "housekeeping" in nature will be automatically approved when filed. Greater staff resources can be allocated to the review of "public interest" by-laws.

In addition, certain frequently recurring types of applications have been identified which do not raise any new policy issues and where relief is routinely given. As these are identified, rules are developed to prevent the need for ad hoc applications to be filed in such circumstances.

CDN Review

Staff completed its 1996/97 Canadian Dealing Network Inc. financial statement and continuous disclosure review program. The financial statements and continuous disclosure records of 28 companies quoted on the CDN were reviewed for compliance with generally accepted accounting principles and relevant securities legislation.

Deficiencies were noted in both the financial statements and the continuous disclosure records reviewed. Accounting deficiencies included non-compliance with GAAP, inadequate interim financial statements and inadequate note disclosure. With respect to continuous disclosure, material information concerning the business and affairs of the companies reviewed was often not disclosed to the market in a factual, balanced, and timely manner. The nature and extent of the deficiencies in two of the companies reviewed resulted in referrals to the Enforcement Branch for further investigation. In addition, staff intends to refer to the ICAO a small number of cases in which audited financial statements contained material departures from GAAP. The review program has been an instructive process and confirms that greater dedication of staff resources to continuous disclosure reviews, particularly for junior issuers, is warranted.

Take-over Bids

Market Operations participated with the Office of the General Counsel in the review of several take-over bids, which are discussed in detail in the Advisory Group section of this report.

Training and Precedent Project

The Advisory Services Team has been instrumental in establishing training programs for Commission staff. The objective of the training programs is to broaden the depth of knowledge throughout the Commission by drawing on both the substantial internal expertise of staff, as well as the external expertise and practical experience possessed by experts and practitioners outside the Commission. To date, training sessions have been conducted on a wide variety of topics including: mergers and acquisitions; networking arrangements; self-regulatory organizations; registration issues; public offerings, private placements and the closed system; special warrants, bought deals and the POP system; continuous disclosure; accounting issues; and mining and oil & gas offerings.

Another core function has been the development of electronic precedent systems. The systems will facilitate the resolution of issues as they arise, assist in conducting research, and help to ensure filings and applications are being handled in a consistent and efficient manner.

Registrant Regulation

Compliance

In keeping with the findings and recommendations in the Stromberg Report, the primary focus of the team was on performing compliance reviews of independent mutual fund dealers. This was also the first year that Compliance undertook a joint initiative with assistance from Enforcement, and lead the CSA National Compliance Review of a large national independent mutual fund dealer. During the fiscal year, Compliance conducted ten compliance reviews and one national compliance review.

The compliance reviews have revealed substantive deficiencies in major areas, such as investment suitability, supervision, books and records, internal controls and capital. It has been staff's experience that most registrants want to comply and are grateful for staff's assistance, particularly when staff is able to provide practical recommendations that can rectify deficiencies noted in the compliance reviews. Compliance will publish a report outlining the common deficiencies noted in compliance reviews later this year.

Compliance continues to perform reviews of registrant regulatory filings. The reviews focus on capital adequacy and include a review of all annual and interim filings and the monthly monitoring of selected registrants.

For fiscal 1996/97, the following categories of registrants and number of regulatory filings were reviewed by Compliance:

Registrant	*Number of Regulatory Filings*
Mutual Fund Dealers	239
Advisors	246
Securities Dealers	89
Scholarship Plan Dealers	2
Total	576

Compliance has also become involved in reviewing TSE and IDA by-laws and regulations which are submitted to the OSC for approval.

Registration

Statistics

During the fiscal year, there was a 7.2 per cent increase in the total number of businesses registered and a 10.9 per cent increase in the number of individuals registered. The Registration Team is responsible for the review of all applications for non-SRO member firms and all firm applications for SRO member firms, while the IDA is responsible for individual applications for registration of salespersons, officers, and directors of member firms. Of the 44,933 individuals registered during 1996/97, it is estimated that 20 per cent or 9,000 individuals are employees of SRO member firms and the balance are employees of non-SRO firms. The total number of applications received during the year was 25,242 compared with 24,388 the previous fiscal year.

Projects

Work Effort and Elapsed Time Studies

As part of the ongoing review of registration operations, the team has been improving internal processes to handle the increase in volume of applications by implementing procedural changes and, more importantly, by enhancing the registration computer system. In response to the increase in applications for registration, the team conducted a "work effort" study and an "elapsed time" study to assist in planning the direction of the team and to address workload increases.

Registration Activity	*1997*	*1996*
Businesses Registered		
Dealers – All Categories	687	634
Advisors – All Categories	302	272
Dealer & Advisor – Dual Registration	98	93
Others	191	193
Total	1,278	1,192
Businesses Registered (by Act)		
Ontario Securities Act	1,144	1,059
Commodity Futures Act	85	88
Both OSA & CFA	49	45
Total	1,278	1,192
Individuals Registered		
Salespersons	37,472	33,679
Officers, Partners & Directors	7,461	6,841
Total	44,933	40,520
Applications Processed		
Applications Received During Year	25,242	22,246
Applications Completed During Year	22,246	21,679

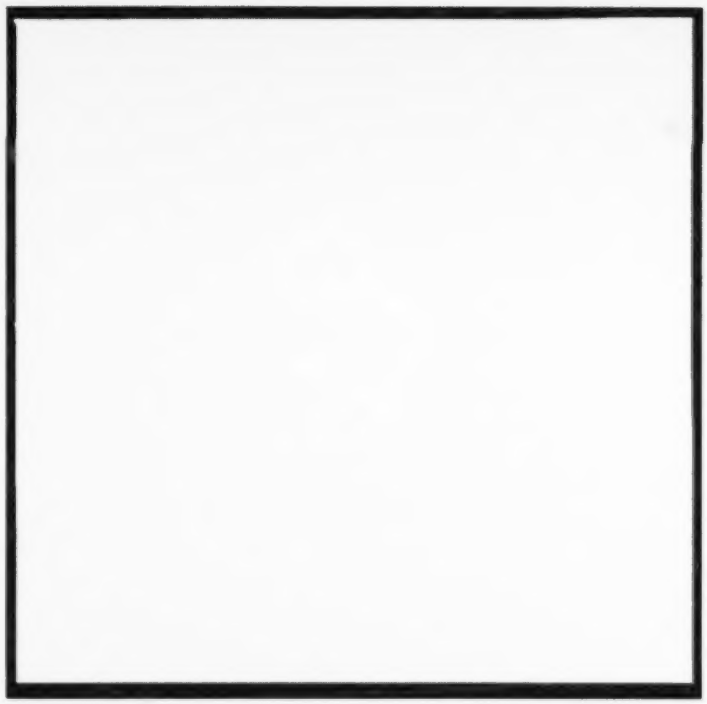
Registration Project

In November 1996, a project group was formed to conduct a review of the registration system with a view to streamlining the process and requirements, and improve service. In considering proposals to improve the registration function, the group examined all aspects of the registration system and the resultant recommendations are classified in three categories: (i) recommendations that do not involve a fundamental change in direction but would have an immediate impact; (ii) recommendations that develop and/or streamline rules and procedures to create clarity and consistency and eliminate duplication and unnecessary applications and filing requirements (some of these recommendations are currently being pursued as part of the policy reformulation process); and (iii) recommendations that involve amendments to the regulations, automation initiatives or substantive changes in direction. The recommendations resulting from this review have been approved in principle by the Commission. Staff also presented to representatives of the CSA and industry participants the general direction the Commission is taking on this initiative and received support. A steering committee has been formed and a project manager has been appointed to oversee implementation. It is anticipated that significant progress will be made in the next couple of years in the following areas:

- automating and expediting the registration system by developing a front-end interface with registrants allowing for electronic delivery of registration applications in a "system-assisted" manner.
- reducing the number of registration categories by eliminating unused categories, merging categories with similar requirements and broadening registration exemptions.
- educating clients about the registration system in order to eliminate commonly recurring deficiencies in salesperson applications and renewals.

Enforcement

The mandate of the Enforcement Branch is to ensure that the Commission's goals of market integrity and investor protection are reached through firm, fair and consistent enforcement of Ontario securities law



Diane Lalla, Legal Secretary, Grace Da Silva, Branch Coordinator, and Jeffrey Meade, Investigation Counsel, use the latest technology to detect violations of Ontario securities law

To achieve this mandate, Enforcement Staff analyse trading activities, conduct investigations, provide litigation support, and conduct proceedings before the Commission and the Ontario Court of Justice (Provincial Division). The Enforcement Branch carries out certain of these tasks in cooperation with other enforcement and regulatory bodies.

To improve efficiency and increase effectiveness, Enforcement replaced the staffing alignment structure of the Branch with a team structure in April 1996. The Branch is now organized into four teams: two investigation teams, one case assessment team and one litigation team. The Enforcement Branch investigates a range of unlawful market activities, including insider trading, conduct of registrants, unlawful trading, failure to register, market manipulation and improper disclosure. As at March 31, 1997, there were 179 cases outstanding in the Enforcement Branch.

Various police and regulatory bodies responsible for the investigation and prosecution of securities related matters have recognized the need to formally coordinate the use of resources dedicated to the investigation and prosecution of securities offences. These resources include investigative and legal personnel, legal advice, forensic accounting, market analysis, information technology, facilities and support staff. As a result, in June 1996, the Securities Enforcement Review Committee ("SERC") was established. SERC meets monthly and is composed of senior representatives of the Ministry of the Attorney General, Metropolitan Toronto Police, The Toronto Stock Exchange, Royal Canadian Mounted Police, Ontario Provincial Police, Investment Dealers Association of Canada, Canadian Investor Protection Fund and the OSC. A Memorandum of Understanding provides a framework for coordination amongst the parties, including regular meetings to review matters involving concurrent jurisdiction and

the preparation of an operational plan where two or more SERC members agree to conduct a joint investigation.

Enforcement participated with the Compliance Branch in the first National Compliance Review, which is discussed in the Market Operations section of this report.

Terence Edward Robinson et al.

This was the longest hearing in the recent history of the Commission. The original notice of hearing was issued in December 1992, and the hearing was completed in November 1995, after seventy-nine hearing days before the Commission. A total of 44 witnesses were called, including two expert witnesses in the areas of manipulative and deceptive trading and market manipulation.

Numerous motions and appeals were brought during the course of the hearing. These included motions to stay the proceedings, a judicial review application and appeal from the Commission's decision on the stay motions, an application to the Court of Appeal, motions by the respondents to exclude certain documents, requests for international judicial assistance by staff to the Grand Court of the Cayman Islands, a motion concerning the jurisdiction of the Commission panel to continue to hear the matter after the death of one of the panel members, and a motion related to solicitor-client privilege.

During the course of the hearing, settlements were reached between staff and certain respondents, and approved by panels of the Commission. Counsel for Terence Robinson, Belair Capital Group Limited, Robcorp and Peter Robinson withdrew. The hearing continued against those parties.

The amended notice of hearing alleged that during 1990 and 1991, the respondents engaged in conduct involving the securities of Raider Ventures Limited, Consumer General Inc., and Typhon Industries Limited which was abusive of the capital markets and contrary to the public interest. The conduct included manipulative or deceptive trading, illegal distribution of securities, breach of the take-over bid provisions of the *Securities Act*, failure to file reports of trades, illegal undeclared short sales and breaches of the hold period requirements for certain securities. In relation to Peter Jeffery Robinson, it was also alleged that he conducted unauthorized trades and/or unauthorized discretionary trades for his clients. In May 1996, a panel of the Commission concluded that staff's allegations had been proven.

In June 1996, the Commission ordered that, subject to limited exceptions, any exemptions contained in Ontario securities law would not apply to Peter Jeffery Robinson, acting directly or indirectly through another person or company or through any person or company acting on his behalf, for a period of twenty-five years. An order for removal of exemptions was rendered against Terence Robinson, Robcorp Inc., Traz Holdings inc., and Belair Capital Group Limited, effective for life. With respect to Peter Robinson, the Commission ordered that, subject to limited exceptions, all exemptions in Ontario securities law would not apply to him acting directly, or indirectly through another person or company or through any person or company acting on his behalf, for a period of seven years. All respondents filed notices of appeal. In June 1997, the Divisional Court dismissed Peter Jeffery Robinson's appeal. The remaining appeals are still before the Court.

Jack Gilbert and VRD Entertainment Limited

In June 1996, the Ontario Court (General Division), granted judgment, implementing the terms of a settlement between the Commission and Jack Gilbert relating to VRD Entertainment Limited.

In August 1992, Steel Investment Limited, a private company controlled by Jack Gilbert's family, sold all its shares of Oreco Mines & Energy Corp., an Ontario public company. Gilbert was an Ontario lawyer and the president of Oreco. The shares were sold to James Hastie, a client, now deceased, of Gilbert's. Gilbert made no inquires about who Hastie purchased the Oreco shares for.

In September 1992, Gilbert agreed to a reverse takeover of Oreco by V.R. Dynamics Inc., a private computer animation company. After the reverse takeover, Oreco changed its name to VRD Entertainment Limited. Hastie was also a V.R. Dynamics Inc. shareholder and acquired VRD Entertainment Limited stock as a result of the reverse takeover.

Gilbert's failure to exercise due diligence to ascertain or uncover certain pertinent details of the circumstances surrounding these transactions, resulted in a lack of disclosure to the public and to the shareholders of the true nature of Hastie's role with respect to the transactions. Among other things, Gilbert agreed in the settlement agreement that he should have exercised more diligence in his dealings with Hastie in order to determine on whose behalf Hastie had purchased the Oreco shares or to disclose in the information circular that such information was lacking.

The penalties agreed upon and ordered by the Court were that Gilbert not be a market participant for two years, that he not beneficially own or exercise direction or control over more than five per cent of the voting stock of a market participant for two years, that none of the exemptions provided for in Ontario securities law apply to him or any company with which he is associated or that is associated with an associate of his for two years, as well as the removal of other exemptions, with certain exceptions.

1173219 Ontario Ltd. c.o.b. as TAC (The Alternate Choice), Douglas R. W alker , David C. Drennan, Steven Peck, Ray Ricks, Don Gutoski and TAC International Limited

In August 1996, the Commission froze $1,067,323.23 (U.S.) of investor monies contained in two trust accounts of 1173219 Ontario Ltd. and one bank account of Steven Peck. 1173219 Ontario Ltd. was selling shares of itself to the public for $1,000 (U.S.) each without filing a prospectus with the Commission and without being qualified to take advantage of any of the prospectus exemptions in the *Securities Act*. As of April 1997, $985,597.41 (U.S.) has been redistributed to investors pursuant to two distribution orders of the Ontario Court (General Division). The last distribution order has been appealed to the Ontario Court of Appeal by 1173219 Ontario Limited. A date for this appeal has not yet been scheduled. The Ontario Court (General Division) also ordered 1173219 Ontario Ltd. to pay the shortfall of $277,395.56 (U.S.) to counsel for the investors, for distribution back to the investors. As of April 1997, 1173219 Ontario Ltd. had not covered this shortfall.

In August 1996, the Commission issued cease trading orders against 1173219 Ontario Ltd., Walker and Drennan. In September 1996, the Commission issued cease trading orders against Peck and Ricks, and in October 1996, the Commission issued cease trading orders against TAC International Limited and Gutoski. These cease trading orders have been extended on consent of the respondents until the conclusion of the hearing to review these cease trading orders. A hearing before the Commission is scheduled for October 20 to 24, 1997.

Megalode Corporation

In September 1996, David Conforzi, former president of Megalode Corporation, pleaded guilty to insider trading and filing misleading financial statements with the Commission. In preparing the financial statements for the company, Conforzi included a non-existent asset of $500,000, representing 69 per cent of the company's total assets. The financial statements also included over $3 million in revenue for a sale that did not take place, representing 72 per cent of the net earnings for that period. Conforzi sold 130,000 shares of Megalode with knowledge of these and other misstatements, avoiding a loss of $320,957.

In addition, the Commission approved a settlement agreement in which Conforzi agreed not to act as a director or officer of a public company, and not to trade in securities, for ten years.

The remaining accused, Norman Maxwell, John Dzambazov and Antonio Candido, were acquitted of charges of filing misleading financial statements and insider trading in December 1996. The primary reason for the acquittal was the failure to obtain the Minister's consent to the charges which were laid after the *Securities Act* was amended to remove this requirement. Another reason for acquittal was the trial judge's refusal to conclude, absent evidence of an expert, that fraudulent statements were a material fact. Staff has filed a notice of appeal.

David Fingold, Fobasco Ltd. and Slater Industries Inc.

In September 1996, the Ontario Court (Provincial Division) decision acquitted the defendants of charges of insider trading in the securities of Cineplex Odeon Corporation. Staff has filed a notice of appeal.

Alexis Fortuna-St. John, Antonia Storm-St. John and Phoenix Head Enterprises of Canada

The respondents accepted approximately $3 million from investors who expected the respondents to invest the funds and to pay a return based on those investments. In July and August, 1996, the Commission successfully brought applications before the Ontario Court (General Division) to protect the funds that had been given to the respondents and to return the funds to those entitled. The Court accepted the Commission's evidence that the respondents were not registered with the Commission and were in contravention of the *Securities Act* in carrying on such a business.

Approximately $1 million worth of contributions had been frozen by the Commission. This was continued by order of the Court. There was a shortfall of approximately $2 million in the funds available to be returned to the investors. The Court approved a process whereby persons who might have an interest in the funds were notified of the proceedings and had the opportunity to be represented by an appointed law firm. The Court also appointed a receiver for the frozen funds. The respondents ultimately declared bankruptcy and responsibility for the funds passed to the trustee in bankruptcy.

George Gantcheff, Stan Zipkin, Philip Molson and David Ezagui

In January 1993, 964178 Ontario Inc., a company beneficially owned by Molson and Gantcheff, acquired approximately 70 per cent of the issued and outstanding shares of Clarendon Apartments (1963) Limited, a reporting issuer in Ontario, in reliance of a take-over bid exemption. The sole material asset of Clarendon at the time was an apartment building which was unencumbered and appraised at $2.4 million. Contemporaneous with the closing of this acquisition in April 1993, the new board and management of Clarendon, which included Gantcheff and Molson, approved a mortgage on the building owned by Clarendon in the amount of $1.7 million - the proceeds of which were used by 964178 to make its payment obligation on the acquisition. In May 1993, 964178 Ontario Inc., now beneficially owned by Gantcheff, initiated a formal take-over bid for the remaining shares of Clarendon. A small number of shareholders tendered pursuant to the bid. At the expiry of the bid, 964178 failed to take-up and pay for tendered shares. A few months later, 964178 Ontario Inc. took up and paid for shares tendered by one shareholder at the full bid price. Clarendon subsequently failed to comply with continuous disclosure obligations and the Commission issued a cease trading order in June 1994. Thereafter, Gantcheff, Zipkin, Molson and Ezagui solicited trades in securities of Clarendon from shareholders who had tendered their shares at prices less than the bid price.

In February 1997, the Commission approved a settlement agreement between staff and the respondents which comprised: (a) an order that all shares of Clarendon which had been tendered pursuant to the take-over bid be taken-up and paid for at the full bid price, with interest; (b) an order that the exemptions contained in Ontario securities law shall not apply to each of the respondents for a period of five years; (c) a reprimand; and (d) an agreement on the part of each of Gantcheff, Molson, Zipkin and Ezagui that he will not act as a director or officer of a reporting issuer in Ontario (except Clarendon) for a period of three years and that a payment of $15,000 would be made to the Minister of Finance as a contribution towards the costs of the investigation.

Glendale Securities Inc., Louis Shefsky and Westall Parr

Staff commenced proceedings against the respondents alleging that they directed or caused the trading of shares of Selby Green International Inc. to be manipulated for the purpose of creating a false or misleading appearance of active public trading and an inflated market price and thereby enabled Glendale Securities Inc., to sell securities of Selby Green to its clients at an artificially high price. In early 1993, the price of Selby Green's shares rose from 5¢ to 60¢ on ten trades, after which Glendale began selling Selby Green shares to its clients.

In January 1997, the Commission approved a settlement agreement between staff and Shefsky and Glendale Securities Inc. Pursuant to the settlement, Glendale was reprimanded and required to submit to a review of its practices and procedures with respect to the acquisition of securities for resale to its clients. Mr. Shefsky's registration as a securities salesperson was suspended for three years.

The proceeding continued against the remaining respondent, Westall Parr. Parr was involved on the sell side of all ten trades and on the purchase side of six trades. In February 1997, a settlement agreement with Parr was approved. Pursuant to the settlement Parr agreed not to act as a director or officer of a public company for five years and is prohibited from trading in securities for five years except in his RRSP, mutual funds and government bonds through a registered dealer.

E.A. Manning Limited et al.

In November 1995, the Commission found that E.A. Manning Limited and certain employees failed to deal fairly, honestly and in good faith with their clients and that they were operating a 'boiler room' and engaging in high pressure sales techniques to sell highly speculative securities. The Commission found the conduct "exhibited a complete and callous disregard for Ontario securities law, the obligations of a registrant, the interest of the investing public and in particular the customers who E.A. Manning Limited was supposed to be serving, the capital markets of the Province, and even common decency." The Commission ordered that the registration granted to E.A. Manning Limited and the firm's principals under Ontario securities law be terminated and the registration of other salespersons were ordered suspended for periods of five and ten years. The Commission also ordered that the exemptions contained in Ontario securities law did not apply to E.A. Manning Limited and the firms' principals permanently and that the trading exemptions of other salespeople did not apply for periods of five and ten years. In September 1996, the Divisional Court dismissed an appeal from the Commission's decision.

Robert Frederick Rose

In August 1996, the Commission issued a notice of hearing to consider whether to suspend or terminate Rose's registration, and whether to prohibit him from trading in securities. It was alleged that Rose, while a registered representative employed by Canaccord Capital Corp., placed himself in a conflict of interest position contrary to the public interest. Rose was a market maker for the securities of two public companies, Paragon Entertainment Corp. and Goldpark Mines and Investments Ltd. It was alleged that, during the relevant period, he had engaged in market manipulation and improper insider trading as the promoter of those companies.

In January 1997, a settlement agreement was reached and approved by the Commission. Rose agreed to a suspension of his registration as a securities salesman for six months, to pass the Conduct and Practice course prior to re-instatement of his registration, to trade under strict supervision for a period of two years, not to be an insider or a promoter of a reporting issuer while registered, not to trade in any securities except through his employer's inventory accounts for two years, and not to act as a market maker except if approved to do so by the TSE.

Lawrence Ryckman

In January 1996, the Alberta Securities Commission found that Ryckman had manipulated the market for trading in securities of Westgroup Corporation, Inc. Certain of the trades which were the subject of the ASC's findings of market manipulation were conducted through accounts in Ontario. In June 1996, the Commission issued a notice of hearing to consider those trades conducted through accounts in Ontario which the ASC had found to be manipulative. In August 1996, the Commission approved a settlement agreement between staff and Ryckman whereby Ryckman agreed that, with one exception, all exemptions in Ontario securities law will not apply to him until January 2014.

Securities Fund Holdings et al.

In May 1997, the Ontario Court (Provincial Division) found Securities Fund Holdings Limited, Thomas Lau and Joseph Yu guilty of charges brought under the *Securities Act* relating to the distribution of foreign currency exchange investment contracts by Securities Fund Holdings Limited without having filed a prospectus with the Commission and without being registered with the Commission to trade in securities. In June 1997, the individual defendants were sentenced to six months imprisonment each, and the company was fined $450,000.

Bruce Warrington

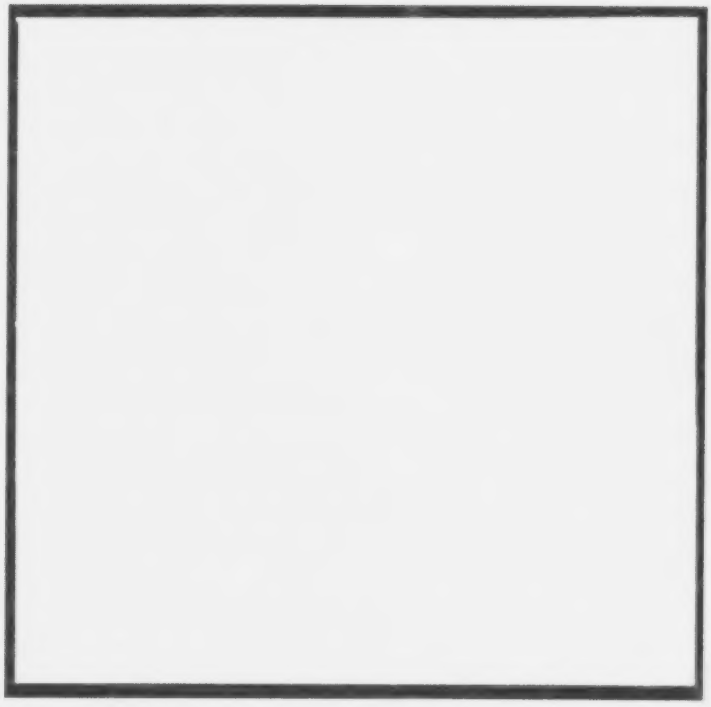
In December 1996, Bruce Warrington pleaded guilty to trading in securities, namely promissory notes, without being registered to trade in securities and without filing a prospectus with the Commission. Warrington also pleaded guilty to being an officer and director of Moneysem Financial Consultants Inc. and authorizing, permitting or acquiescing to trading in securities by Moneysem without being registered and without filing a prospectus. The guilty pleas came on the sixth day of the trial. In March 1997, Warrington was sentenced to nine months in jail.

Warrington, a registered mutual fund salesperson in Hamilton, borrowed approximately $700,000 from 17 former clients and issued promissory notes to these clients. Warrington had persuaded some of his clients to redeem mutual fund units in order to lend him the money. Approximately $500,000 is still owing to these former clients. Due to his lack of financial resources and an ongoing civil action by some of the investors, the Court did not order restitution of the monies owed. The Court stated that Warrington's action inflicted great financial and emotional hardship on retirees who could not replenish the money he took from them. The Court found that Warrington had breached the trust of his clients, the majority of whom had little, if any, knowledge of the investment market. In sentencing Warrington, the Court was guided by the desire to deter him and others who may be tempted by the same circumstances to engage in similar practices.

After serving his sentence, Warrington will be prohibited from trading in securities or working for any investment firm accepting investments for a two year period.

Corporate **Relations**

The mandate of the Corporate Relations Branch is to support and advance the OSC's strategic relationships and communication with its stakeholders. It is responsible for communication with the media and the public.



Kim Lucas, Investigation Assistant, responds to an investor's inquiry.

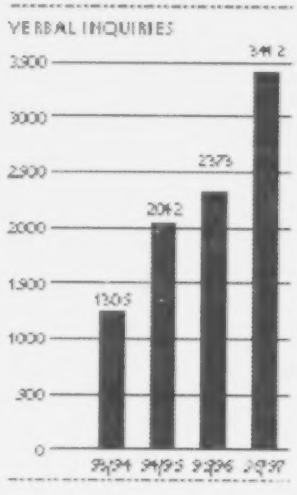
The Branch is organized into three units:

- The Inquiries and Complaints Unit is a centralized group for receiving and responding on behalf of the OSC to general public inquiries and complaints. The unit joined the Corporate Relations Branch early in the fiscal year as a result of the OSC's restructuring.
- Communications and Investor Education is responsible for OSC publications, public access to OSC files, media relations and investor education activities and programs.
- The Office of the Director provides support, advice and direction in all aspects of the Branch's operations and also contains the legal resources dedicated to the Branch's activities.

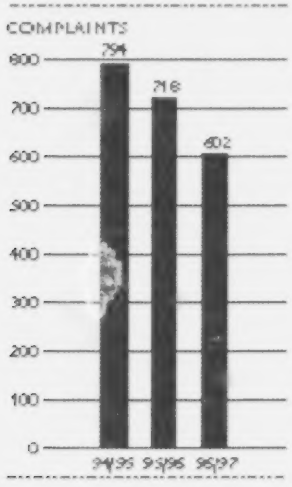
Inquiries and Complaints Unit

Staff receive inquiries from the public, external sources and other areas of the Commission and provide responses to questions and requests for information about the Commission and its operations.

The unit received 3,412 inquiries during the fiscal year ended March 31, 1997, compared with 2,373 inquiries received during the previous fiscal year. This represents a 44 per cent increase in the number of verbal inquiries. Approximately 90 per cent of the inquiries are resolved on a same day basis.



Staff assess complaints made by members of the public against registrants, determine whether regulatory action may be required and if so, direct the matter to the appropriate area of the Commission for further action. The unit received 602 complaints against market participants during the fiscal year ended March 31, 1997, compared with 718 complaints received during the previous fiscal year.



The unit may direct callers to specific individuals within the Commission for information or assistance concerning various subject matters. Work on improvements to the inquiries process is ongoing.

Communications and Investor Education Unit

Investors' Town Meetings

The OSC, in partnership with the Investment Dealers Association of Canada and The Investment Funds Institute of Canada, held Investors' Town Meetings in Kingston, Toronto, Windsor and Sudbury in February, March and April 1997. Approximately 450 investors attended the meetings, the purpose of which was to help investors to avoid investment problems and to make more informed investment decisions. Participant and media feedback was favourable.

"Dialogue with the OSC"

In October 1996, the OSC convened its third annual "Dialogue with the OSC" conference. More than 250 people, primarily securities industry representatives, attended the one-day conference. "Dialogue with the OSC" focuses on the priorities and processes of the OSC as well as the self-regulatory organizations. It provides an opportunity to hear directly from and dialogue with OSC Commissioners and staff.

Media Relations

Corporate Relations receives, coordinates and evaluates requests for information and interviews from the media. From November 1, 1996 to June 30, 1997, Corporate Relations received more than 170 media inquiries.

Public Speaking Engagements and Visiting Delegations

Public speaking requests provide the opportunity to communicate the role and responsibilities of the OSC to various audiences. Staff spoke at numerous local and international conferences and engagements during the fiscal year including "OSC Reformulation Project and Other Securities Developments" and "Future Directions in Public Disclosure".

Visits from foreign delegations seeking to learn from Ontario's regulatory structure provided the reciprocal opportunity for the OSC to learn about the current state of securities regulatory issues in other jurisdictions. The OSC hosted visits from China, Tunisia and Hong Kong during the fiscal year.

Future Directions

Corporate Relations has identified several initiatives in its business plan to increase public access to the OSC and to educate investors about how they can protect themselves against fraud and abuse.

The Internet and the World Wide Web

The OSC is now connected to the Internet, enabling communication between OSC staff and Internet users.

While anticipated during the 1996/97 year, the establishment of the OSC's own site on the World Wide Web was delayed. Implementation of a website is now planned for the 1997/98 year. The OSC Website will be an outlet for much of the Commission's information of interest to market participants, particularly investors.

The OSC Bulletin

The OSC Bulletin is the weekly publication through which the Commission communicates and maintains a record of its decisions, rules, policies and any other information which may affect the capital markets or be of interest to the public. Staff of the Corporate Relations Branch coordinate production of the Bulletin in concert with an external service provider.

The Bulletin is published in hard copy and is subject to a subscription fee. It has a circulation of approximately 1,000 copies.

During 1997, in addition to establishing its World Wide Web site, the OSC will investigate alternate methods for distributing "public domain" information to augment the OSC Bulletin as an information source.

External Consultations

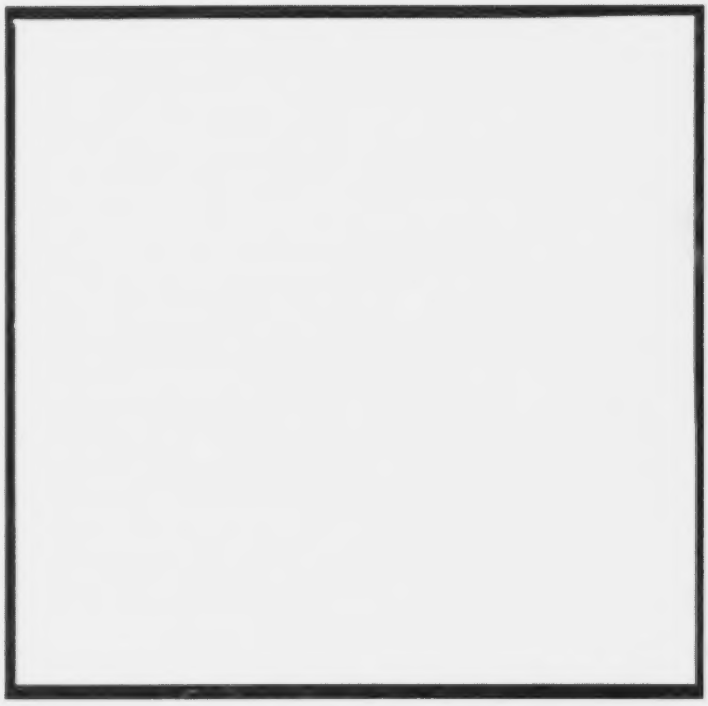
The Business Plan for the Ontario Securities Commission for 1997-2000 was developed during the year ended March 31, 1997 through ongoing communication with the various constituencies with which the OSC regularly interacts and which are directly impacted by regulatory policies, actions, and decisions.

Person to person events such as focus group sessions in the spring of 1996, "Dialogue with the OSC", and the Investors' Town Meetings in early 1997 served to inform the business planning process.

Regular solicitation of requests for comments published in the OSC Bulletin and direct mailing of requests for input on policy and business planning issues are also vehicles by which the OSC receives input to its priority-setting and decision-making processes.

Advisory **Group**

The mandate of the advisory group is to provide leadership on legal, accounting and policy issues to internal and external customers and to identify emerging policy problems, participate in policy development and provide support on operational projects.



John Carchrae, Chief Accountant,
Cathy Singer, General Counsel and
Randee Pavalow, Policy Coordinator/Advisor

Office of the Chief Accountant

The Office of the Chief Accountant provides guidance to the Commission and its staff in identifying and responding to emerging policy issues in the area of financial reporting and auditing. In addition, the OCA advises staff and market participants on the resolution of complex or controversial financial reporting issues.

The OCA is the primary channel for Commission staff to provide input to the standards-setting processes of the Canadian Institute of Chartered Accountants. In the past year, the OCA has been an active participant in CICA initiatives to improve standards for recognition and measurement of financial instruments and financial reporting by investment funds, including mutual funds. The OCA also participated in an important Advisory Group on business combination accounting established by the CICA's Accounting Standards Board (AcSB). The group was asked to advise the AcSB on possible short term actions to address the concerns of some Canadian entities about the ability of their US competitors to use the pooling of interests method of accounting for a business combination when Canadian Generally Accepted Accounting Principles (GAAP) require use of the purchase method, thus recognizing the transaction at its fair value. The OCA will continue to participate actively in the debate as the US Financial Accounting Standards Board re-examines its current standards on business combination accounting and considers aligning them more closely with the international consensus which supports the current Canadian standards. We also continue to provide comments to the AcSB standards-setting initiatives and on overall priorities. Participating in the work of the CICA's Emerging Issues Committee (EIC), on which the Chief Accountant sits as an observer representing the CSA, is another important ongoing activity. The EIC provides a vehicle for Commission staff to seek formal clarification of GAAP in areas in which practice is of concern.

Early in 1997, the OCA made a submission to a Task Force appointed by the CICA to review the entire process of setting accounting and auditing standards in Canada. The submission identified as the most fundamental issue for the Task Force to address the questions of how to position Canadian standards-setting activities to maximize their relevance and effectiveness in today's increasingly global capital markets. In this regard, we noted our resolve to continue to work with others through the International Organization of Securities Commissions (IOSCO) and the International Accounting Standards Committee (IASC) to promote the development of a single set of accounting standards that will be accepted internationally. Such a common accounting language, which the Commission believes will facilitate the free flow of capital both within and across national boundaries, will have significant implications for the future role of national standards-setters.

The emphasis the Commission has placed on continuing to move towards truly international accounting standards is reflected in the leadership role that the Chief Accountant plays in the activities of the IOSCO Working Party on Multinational Disclosure and Accounting. The Working Party's primary focus in the past year has continued to be on working with the IASC to complete by March 1998 the mutually agreed upon work program to establish a core set of International Accounting Standards. IOSCO's goal is to be able to endorse these standards as a common basis for acceptance of multinational securities offerings in capital markets around the world. The Working Party has also made significant progress towards agreeing on the content of a single public offering document that would be acceptable to regulators in multiple jurisdictions. The Working Party is also exploring the desirability of agreeing with the International Auditing Practices Committee a work program that could lead to endorsement of International Standards on Auditing.

Office of the General Counsel

The Office of the General Counsel provides specialized legal advisory services to the Commission, its staff and market participants. Without specific operational responsibilities, the OGC's expertise and resources are available to respond to emerging issues and challenges.

The OGC represents the Commission on several committees at the national and international level working toward coordinated responses to the challenges of regulation in the 1990s. The OGC represents the OSC on a number of CSA initiatives which include the mutual reliance registration project, one of the CSA mutual reliance projects aimed at improving the efficiency of the Canadian regulatory process, and the CSA initiative to adapt regulatory standards to the electronic age. The OGC is a member of the OSFI/CSA Task Force where federal financial regulators, provincial securities regulators, SROs and industry participants meet to discuss emerging issues in the Canadian financial markets. In the international sphere, the OGC sits on the IOSCO Working Group on Regulation of Market Intermediaries that is addressing issues raised by the growing global integration of financial market participants, such as managing systemic risk and modernization of capital adequacy standards to permit the use of sophisticated statistical models of risk. The OGC will continue to participate actively in the Joint Forum on International Financial Conglomerates, a forum made up of representatives of banking, insurance and securities regulators from 13 different countries that is discussing what risks to the market may be created by the operations of financial conglomerates which carry on business across national boundaries and how best to minimize those risks to the marketplace.

During the last year the OGC was involved in a number of projects, including the transfer of the TSE member regulation functions to the IDA and the *Red Tape Reduction Act* (Ministry of Finance), 1997. In the transfer of functions, the IDA became the direct regulator of all dealers formerly under the supervision of the TSE and thereby responsible for setting standards, ensuring compliance and disciplining all Ontario SRO members. The *Red Tape Reduction Act*, which was given first reading in February 1997, makes a number of amendments to the legislation for which the Commission is responsible, chief among which is adding the authority to recognize quotation and trade reporting systems and extending the Commission's rule-making authority so that the Commission may amend regulations if necessary or advisable to effectively implement a rule. The OGC continues to be involved in other projects at the OSC including the Registration Project and implementation of the recommendations of both the Small Business Task Force and those contained in the Zimmerman Report on take-over bids. The OGC also participates in the rule-making exercise, including the rules and policies being reformulated regarding underwriting conflicts, the early warning system, special warrants, insider bids, issuer bids, related party transactions and going private transactions.

Last year, the OGC was involved in various issues relating to a number of hostile take-over bids. The OGC received assistance in these matters from staff of the Market Operations and Enforcement branches. In a number of such transactions, staff participated in negotiated solutions. In two instances, issues were brought to a Commission hearing for resolution.

In the context of a bid by Ventra Group Inc. for all of the common shares of The Tarxien Corporation, the Tarxien board of directors approved a shareholders rights plan. Ventra applied to the Commission to cease trade the plan. The application by Ventra and complaints by two competing bidders led to a hearing before the Commission. The most striking difference between this case and pre-

vious poison pill cases was the existence of lock-up and deposit agreements entered into with Ventra by holders of a majority of the Tarxien shares. The Commission focused, however, on whether the defensive tactics embodied in the Plan had outlived their usefulness. It found that they had because the plan allowed the independent committee of the Tarxien board to prefer one bid to all other bids and thus limit the ability of the shareholders to dispose of their shares. Consequently, the Commission cease traded the plan. This decision affirmed the trilogy of poison pill cases previously decided by the Commission.

The take-over bid by Canadian 88 Corp. in January 1997 for Morrison Petroleums Inc. prompted staff of both the Ontario and Alberta Securities Commissions to intervene. On February 6, 1997 staff issued a notice that a hearing would be held on Friday, February 7, to consider whether the Canadian 88 bid for Morrison should be cease traded. Staff's concerns were detailed in the statement of allegations accompanying the notice of hearing, and focused on the adequacy and nature of the consideration offered under the bid, in light of certain pre-bid transactions, and disclosure issues. Later in the day of February 6, the Commissions issued temporary cease trade orders in respect of the bid, citing concerns that any decision made at the scheduled hearing could not be properly disseminated prior to the expiry of the bid on February 7. The joint hearing by the Commissions was rescheduled to commence on the following Monday. Over the weekend, Canadian 88 withdrew its bid and the hearing on the merits did not take place. A hearing was briefly convened to dispose of the matter. At the hearing, the Commissions found Canadian 88's stated reasons for terminating the bid to be "disingenuous" and ordered that the cease trade order continue until the earlier of Friday, February 14, or 48 hours after the dissemination, by Canadian 88, of full information as to the basis of its entitlement to terminate the bid (in form and content satisfactory to the Directors of the two Commissions). The cease trade terminated on February 14.

The OGC is consulted on a continuing basis by other staff of the Commission on legal issues relating to prospectus filings, applications for relief, public inquiries and complaints, and enforcement investigations. It also receives and responds to inquiries from market participants and their advisers.

The OGC supported the executive management of the Commission in setting policy priorities for the coming year, developing a process for policy formulation, and in the transition to a self-funded agency, through preparation of the Commission's 1997-2000 Business Plan and other submissions to the government.

Office of the Policy Coordinator/Advisor

The Office of the Policy Coordinator/Advisor provides advice, assistance and project management capabilities on policy matters directly related to the mandate of the Commission.

The Commission is reformulating its blanket orders and rulings, related blanket-ruling based policy statements (now deemed rules under the *Securities Amendment Act, 1995*) and certain other local and national policy statements into rules. In order to enhance the accessibility of the regulatory framework resulting from reformulation, reformulated instruments will be categorized and grouped, on the basis of subject matter, under a new numbering system.

National Policy Statements are being considered as part of the reformulation process. In order to ensure continuing harmonization with other CSA members in respect of National Policy Statements and other instruments, there has been ongoing coordination and communication with the CSA throughout the reformulation process.

In addition the process has encouraged additional harmonization. Publication for comment of proposed rules and policies is underway, and the number published has significantly increased. A quarterly summary of publications is being published in the OSC Bulletin to assist those monitoring the changes.

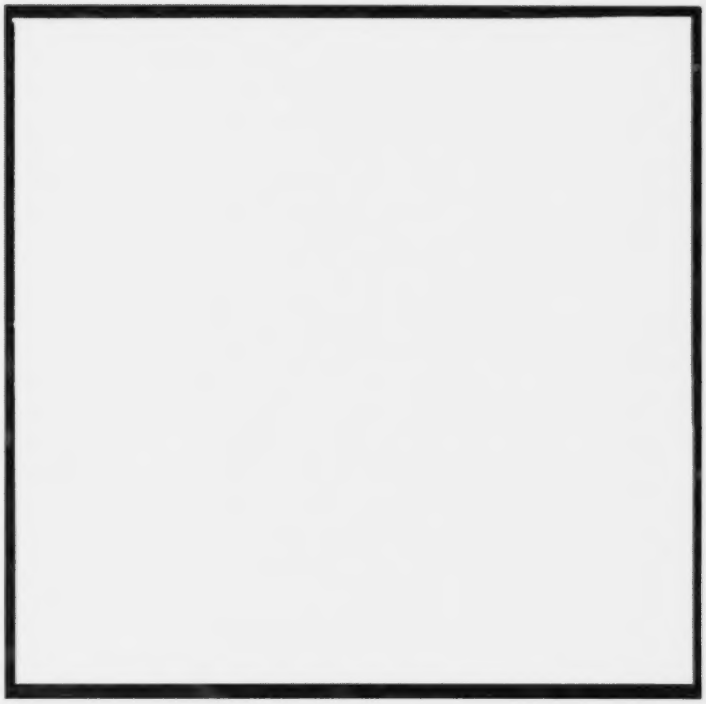
A new process for tracking policy projects and setting priorities has been established to improve project management.

Notwithstanding a shortage of staff available to work on the reformulation project and new policy initiatives, staff has been able to make significant progress on a number of rules and new initatives, such as the long form prospectus rule, over-the-counter derivatives rule, SEDAR, the mutual fund sales practice rule, underwriters' conflicts rule and a response to the Small Business Financing Task Force Report. The main emerging issues identified by staff are Internet-related issues, direct purchase plans, company registration, liability for continuous disclosure and streamlining dealer registration requirements.

The Policy Advisor was also directly responsible for the following policy projects: issues relating to the use of the Internet and other technology, NETS (electronic trading), bond transparency, market stabilization, direct purchase plans and international securities law issues.

Corporate **Services**

The mandate of the Corporate Services Branch is to work in partnership with Commission program areas to provide innovative, value-added and effective corporate services.



Marina Dicuangco, Applications Specialist, Mario Georghiou, IT Support Analyst, and André Hinds, Database Administrator develop a new application in the OSC's Main Computer Server Room.

The Branch provides support services to the Commission through five functional areas:

- Finance and Administration is responsible for budgeting and financial reporting, purchasing and payment processing, contract administration, revenue processing, mail delivery and on-site facilities management.
- The Records area maintains the OSC corporate files regarding market participants and transactions
- The Library supports the operations through the provision of research and the acquisition of reference material.
- Human Resources is responsible for the staffing function within the Commission.
- Information Technology develops new systems applications, supports existing hardware and software and provides staff training on the systems used at the OSC.

During the 1996/97 fiscal year, the Branch concentrated its efforts on delivering its core services as effectively as possible. Future directions will include expanding services to offer more advisory support, particularly in the areas of business planning and program evaluation.

In the Finance and Administration area, staff provided support to program areas in managing Commission expenditures within approved Estimate levels during 1996/97. Activity in this area included monitoring over 100 fee for service contracts throughout the fiscal year. In the revenue area, over 32,000 fee transactions, representing record fee revenue of $58.3 million, were processed.

The Records area also experienced record activity levels during the 1996/97 fiscal year. Over 16,000 new files were added to the 70,000 files the Commission maintains on site. Records staff received and filed over 80,000 documents and responded to over 12,000 requests for files and information.

Hiring continued to be a challenge in the Human Resource area due to the difficulties the Commission continued to experience in recruiting specialized staff, particularly in the accounting and systems areas, at Public Service salary rates in a highly competitive market. During the fiscal year, the OSC ran competitions to recruit for over 50 permanent and temporary opportunities. Approximately 60 per cent of the positions available were filled.

The Commission also developed a comprehensive performance appraisal system during the 1996/97 fiscal year. Designed to support the Commission's business plan, the system is being introduced for all staff in 1997/98.

Information Technology

The Information Technology Section continued to develop, acquire, implement and support a technical environment that supports the business plan of the Commission.

The enforcement document management and case management system became a single integrated application in 1996. This will allow the recording of all details about an open case including key information about documents that may be part of the case file. It allows staff to track and display details of the case including staff assignments, status, key dates and associated documents. Workload statistics can be derived from the data, allowing better case assignment and case management.

The Section acquired two investigative tools, MICA and Supertext, for the Enforcement Branch. MICA is a custom developed application that analyzes stock trading data. Several CSA members pooled funds to cover development costs. MICA allows investigators to format trading data from all of the brokerage data service suppliers and makes it possible to compare and analyze trading records.

Supertext is an imaging/scanning system. It is used in investigations where there is a large volume of documents in paper format that must be analyzed and shared by members of the investigation team. Documents can be stored on CD ROM and are easily accessible.

A continued effort is being put into developing systems for management reporting and workflow management requirements for the Market Operations Branch, in support of SEDAR.

Work is progressing on the development of requirements for logging and managing inquiries for the Corporate Relations Branch. Inadequate systems will be replaced to facilitate the tracking and management of verbal and written inquiries.

The Section is continuing to enhance the registration system through the joint planning, development and support of REGGIE with the IDA. The functionality of REGGIE will be enhanced to support the recommendations of the Registration review, and the Section will work closely with the IDA to determine future requirements to support the IDA's registration functions.

Changes have been made to the internal technical environment to provide additional functionality and to enhance performance at desktop workstations. Staff has access to SEDAR, e-mail, word processing, spreadsheet, calendaring, Internet and presentation software. All PC's have been upgraded and all staff now have either a 486 or Pentium. The computer network and telephone system have been enhanced to provide more functionality and better performance, with easier maintenance and support.

At the CSA level, a joint technology committee has been established and is currently chaired by the OSC. A consulting project has been initiated to identify opportunities to position the technical environment of the CSA members to create joint initiatives and to link CSA members for day-to-day business functionality.

SEDAR

The System for Electronic Document Analysis & Retrieval has been a major initiative of the CSA for several years. In 1996, initial development of the System was completed. Following extensive testing and pre-production planning, SEDAR went into operation in January 1997.

SEDAR provides a one-stop filing facility for filers, issuers, law firms and transfer agents who file public offerings and continuous disclosure documents with one or more provincial and/or territorial Commissions. It also provides a searchable database which contains all documents filed with SEDAR in all of the jurisdictions.

SEDAR was presented to stakeholders through demonstrations of the prototype and a series of notice and comment periods where interested parties had the opportunity to comment on SEDAR and its implications on the community. Staff held several sessions with the filing community and two major sessions attended by representatives from more than 200 issuers.

There was a phased-in implementation with a January 1, 1997 date for all POP issuers disclosure documents, February 1 for non-POP issuers disclosure documents, March 1 for offering documents, and July 1 for single jurisdiction filers. All CSA members worked together to coordinate required regulatory changes and SEDAR was ready for filings as scheduled. For the period January to March 31, 1997, more than 7,000 filings were in electronic form.

Revenues and **Expenditures**

Fiscal Year Ended March 31, 1997

REVENUES:

1996/97 was a record year for revenues collected from fees prescribed by the *Securities Act* and the *Commodity Futures Act*. Total revenues of $58.4 million, which were remitted directly to the Consolidated Revenue Fund, increased by 25 per cent over the previous fiscal year. This increase is consistent with market activity, which has a direct impact on revenue generation. This is best demonstrated by fees collected for prospectuses: a total of $29 million was collected in 1996/97, an increase of $9.7 million over the previous year. Fees collected on secondary market transactions ($2.5 million) increased by 31 per cent. Fees collected for registrations increased $1 million or 5 per cent. Net settlements, which are not related to market activity, amounted to $108,000.

COSTS:

Expenditures for the 1996/97 fiscal year totalled $20,174,000, which excluded lease costs for OSC premises and support services provided by the Ministry of Finance. As in previous years, salaries and employee benefits constituted the Commission's major expenditure (67 per cent of total spending). In the 96/97 fiscal year, the Commission continued to maintain a significant level of staff vacancies in order to support funding shortfalls in employee benefits, enforcement and information technology. In addition to staffing costs, significant costs were incurred in the following activities: Reformulation – $1.5 million; Enforcement – $1.3 million; and Information Technology – $1.3 million.

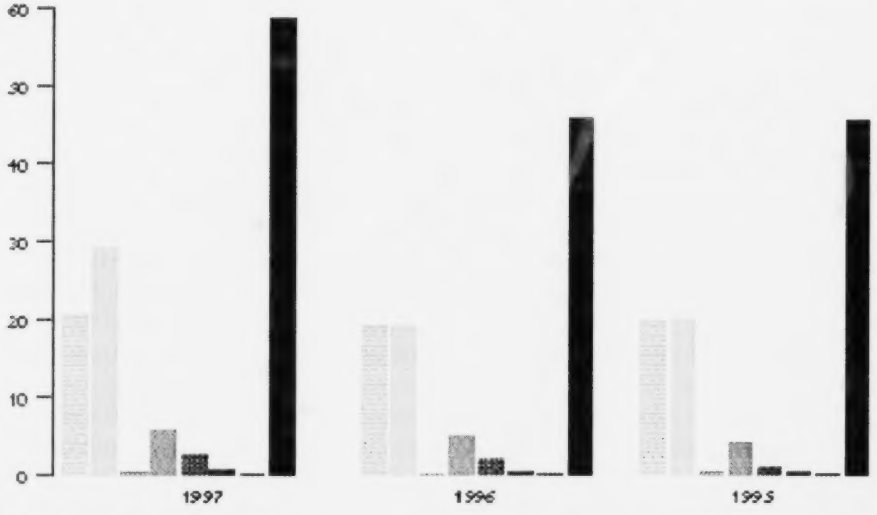
Fiscal Year Ending March 31, 1998

As part of the estimates process, the Government has provided the Commission with $19,587,700 for the 1997/98 fiscal year. Were this to remain unchanged, the Commission would face funding pressures for reformulation, compliance reviews, disclosure reviews, enforcement, information technology and employee benefits.

However, in June 1997, amendments to the *Securities Act* were passed to establish the Commission as a corporation without share capital, and give it the right to retain fee revenue for its own use. The Commission will be able, when these admendments are proclaimed in force, to fully fund its business priorities.

Revenues
(note 1)

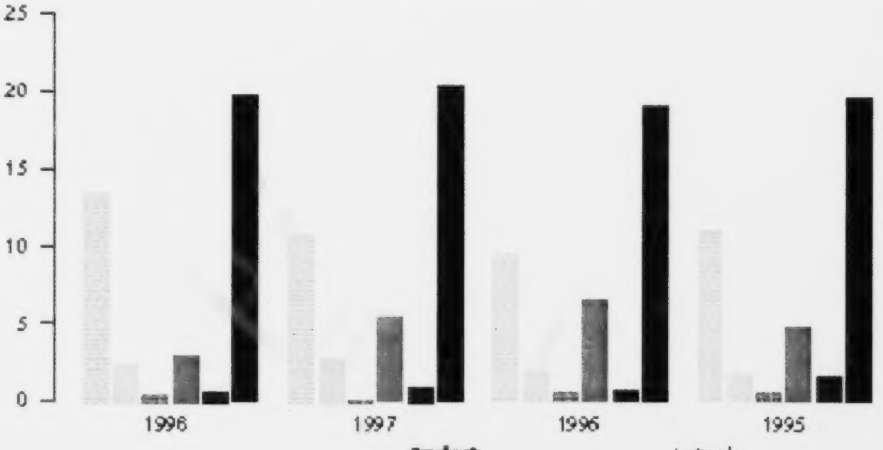
Notes:
1. All revenues are remitted to the Consolidated Revenue Fund and are not retained or credited to the Commission.



Fiscal Year Ended March 31st	**1997**	1996	1995
Registration	$20,578,600	$19,562,200	$20,006,800
Prospectus Filings	29,047,500	19,381,200	20,465,300
Settlements	108,000	18,100	356,000
Disclosure – Filings, Fees, etc.	5,676,600	5,323,900	4,030,700
Secondary Market Trading Fees	2,463,500	1,875,200	1,050,200
Rulings	494,800	435,600	317,600
Miscellaneous	14,900	30,100	24,800
Total	**$58,383,900**	$46,626,300	$46,251,400

Expenditures
(note 1)

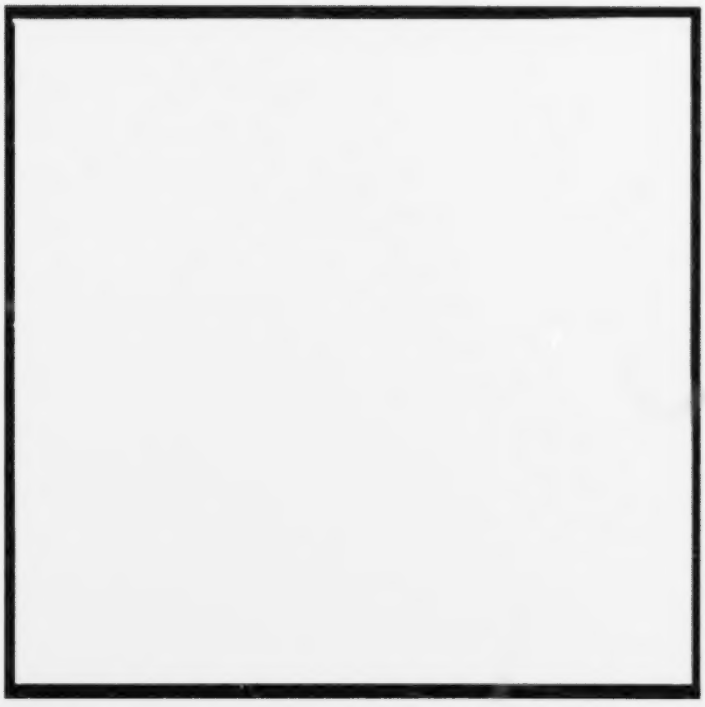
Notes:
1. Total expenditures exclude leasing and support services provided by the Government, which cost $3 to $3.5 million.



Fiscal Year Ending March 31st	**Budget 1998**	1997	*Actuals* 1996	1995
Salaries & Wages	$13,377,400	$10,726,400	$9,995,800	$10,894,400
Employee Benefits	2,268,900	2,819,400	1,590,800	1,429,300
Transportation & Communication	460,000	464,200	440,800	434,200
Services	2,841,400	5,333,200	6,190,200	4,619,800
Supplies & Equipment	650,000	840,800	498,000	1,769,700
Total	**$19,587,700**	$20,174,000	$18,715,600	$19,145,400

Commissioners

The Commission meets regularly to consider policy and management issues. During the last fiscal period, it met 22 times. In addition, the Commission conducted hearings in 24 matters which occupied a total of 63 days. Two commissioners are available two days each week to consider proposed rulings and orders.



Left to right, standing: Patrick Vernon, Kerry Adams, John Geller, Vern Krishna and Daniel Iggers, Secretary to the Commission. Seated: Helen Meyers, Morley Carscallen, Glorianne Stromberg and Stephen Adams. Absent from photo: Brenda Eprile, J.F. (John) Howard and Robert Korthals.

JOHN A. GELLER, Q.C. was appointed Acting Chair in November 1996 following a three-year term as Vice-Chair. Mr. Geller previously was a senior partner with the Fasken Campbell Godfrey law firm, where he practised corporate and securities law.

MORLEY P. CARSCALLEN, F .C.A. was appointed Vice-Chair in July 1996, having served as a Commissioner since November 1992. He is a former senior partner with the accounting firm Coopers & Lybrand. He served as a member of the Commission's Financial Disclosure Advisory Board from 1970 to 1976 and as Chairman of the FDAB in 1975 and 1976.

KERR Y D. ADAMS is a chartered accountant with extensive experience in the issuer and investor communities. A former partner with the accounting firm KPMG and a former investment banker with ScotiaBank, Ms. Adams has managed a group of global holding companies since establishing K. Adams & Associates Limited in 1991. Ms. Adams was appointed to the Commission in September 1996.

STEPHEN N. ADAMS, Q.C. is a senior partner with the London, Ontario law firm of Harrison, Elwood, and practises in the area of corporation and securities law. For 12 years, Mr. Adams was an adjunct professor of law at the University of Western Ontario. Mr. Adams is the author of the Annotated Ontario Business Corporations Act. Mr. Adams was appointed to the Commission in December 1996.

J.F. (John) HOWARD, Q.C. is a partner emeritus of Blake Cassels & Graydon with extensive experience in all aspects of commercial litigation. Mr. Howard was appointed to the Commission in November 1996.

DEAN C. KITTS, Q.C. is a member of the Ontario Bar and served as vice-president and general counsel of John Labatt Limited. Mr. Kitts served as a Commissioner from June 1990 until his retirement in June 1996.

ROBER T W. KORTHALS was president of the Toronto-Dominion Bank until his retirement in 1995. He is a past president of the Canadian Bankers Association, and continues to serve as a director of several public companies and voluntary organizations. He was appointed a Commissioner in March 1995.

VERN KRISHNA, Q.C. is a professor at the Faculty of Law, University of Ottawa, and tax counsel to the Koskie & Minsky law firm in Toronto. He serves as a bencher of the Law Society of Upper Canada and as vice-president of the Certified General Accountants Association (Ontario). He was appointed a Commissioner in July 1994.

HELEN M. MEYER is president of Meyer Corporate Valuations Ltd., which specializes in performing valuations of public companies. She has extensive experience in the investment banking community. Ms. Meyer was appointed a Commissioner in April 1994.

DAVID T. C. MOORE retired as executive vice-president of ScotiaMcLeod Inc. in 1989. Mr. Moore was also a governor of the Canadian Securities Institute and The Toronto Stock Exchange, and chaired the joint industry committee on public ownership of Canadian securities firms. Mr. Moore is a member of the board of directors of Trent University, a trustee emeritus of Sunnybrook Medical Centre, and a member of the board and former president of Second Harvest Food Committee. He served as a Commissioner from September 1989 until his retirement in September 1996.

JOAN C. SMART served as Vice-Chair from December 1991 until her resignation in July 1996. Prior to her appointment, she served as director of the Commission's Capital Markets Branch. Ms. Smart previously had practised commercial litigation.

GLORIANNE F. STROMBERG practised corporate and securities law prior to being appointed to the Commission in 1991. Ms. Stromberg served as a member of the Commission's Securities Advisory Committee from 1985 to 1990. Ms. Stromberg is the author of "Regulatory Strategies for the Mid-90s: Recommendations for Regulating Investment Funds in Canada" prepared for the Canadian Securities Administrators in January 1995.

G. PATRICK H. VERNON, Q.C. was a senior partner of the McCarthy Tétrault law firm, where he practised corporate and securities law. He was recently a co-chairman of the University of Waterloo Capital Campaign. Mr. Vernon was appointed a Commissioner in November 1995.

EDWARD J. WAITZER served as Chair from November 1993 to November 1996. Prior to his appointment, Mr. Waitzer was a senior partner with the Stikeman, Elliott law firm, where he practised corporate and securities law. He is a former vice-president of The Toronto Stock Exchange and has been an adjunct professor at Osgoode Hall Law School.

Advisory Boards

The Commission benefits from the assistance of a number of formal advisory boards and committees, which consist of dedicated professionals. The Commission appreciates the fact that such well-qualified professionals are prepared to serve on such advisory groups and benefits greatly from their ongoing support and counsel.

Commodity Futures Advisory Board

The CFAB advises the Commission with respect to derivative instruments, including commodity futures contracts and commodity futures options. Members of the CFAB are appointed by Order-in-Council. During the fiscal year, the CFAB gave consideration to, and made recommendations to the Commission on debt-like derivatives and over-the-counter derivatives transactions.

The CFAB currently consists of the following members:

David G. Patterson (Chair)
President, Newcastle Capital Management Inc.

G. Douglas Carr
Partner in Charge, Treasury Risk Management Practice, KPMG Peat Marwick Thorne

Carol D. Pennycook
Partner, Davies, Ward & Beck

Financial Disclosure Advisory Board

The FDAB advises the Commission and staff on financial disclosure, accounting and auditing, policy and other significant matters. Members of the FDAB are appointed by Order-in-Council. On an ongoing basis staff consults with members of the FDAB on specific accounting and reporting issues. The FDAB also reviews Staff Accounting Communiques prior to issuance by staff.

The FDAB currently consists of the following members:

Patricia O'Malley, F.C.A. (Chair)
Partner, KPMG Peat Marwick Thorne

Gord Cetkowski, C.A.
Partner, Price Waterhouse

J. Alex Milburn, Ph.D, F.C.A.
Retired Partner, Ernst & Young

Patricia Meredith, F.C.A.
Executive VP, Strategic Planning, Canadian Imperial Bank of Commerce

Securities Advisory Committee

The Committee provides advice to the Commission and staff on a variety of matters, including amendments to the Act and Regulations, formulation of rules, Commission policies and staff notices, and other matters. The Committee also provides advice to the Commission as to matters that it believes should be addressed by the Commission. Terms are staggered so that about one-third of the Committee members will retire in any one year.

During the past fiscal year, the Committee devoted the bulk of its time to the Commission's policy reformulation project. Members of the Committee provided advice on an ongoing basis concerning the various initiatives undertaken during that process, both at the stage of initial formulation of policy and through commentary on draft text.

For fiscal 1996/97, the Committee consisted of the following 10 individuals appointed by the Commission:

Jonathan Lampe (Chair)
Goodman, Phillips & Vineberg

Richard Balfour
Tory, Tory, Deslauriers & Binnington

Craig Brod
Cleary, Gottlieb, Stein & Hamilton

Scott Freeman
Sydney & Austin

Brian Grasmuck
Davies, Ward & Beck

Michael J. Lang
Borden & Elliot

Margaret McNee
McMillan Binch

Michael C. Nicholas
McCarthy Tétrault

Michael Simon
Milbank, Tweed, Hadley & McCloy

Richard S. Sutin
Meighen Demers

Appendices

Appendix A
A Changing Commission for a Changing Market
Statement of Priorities for the Financial Year to End March 31, 1998

The *Securities Act* requires the Commission to deliver to the Minister and to publish in its Bulletin by June 30 of each year a statement by the Chairman setting out the proposed priorities of the Commission for its current financial year in connection with the administration of the *Securities Act* and the Regulations, and Rules made thereunder. This is the third such statement.

This Statement of Priorities for 1997/98 articulates the strategic focus for the OSC's first ever Business Plan. That Plan, which assumes the OSC becoming self-funding, will strengthen the OSC's ability to pursue its determination to be a relevant and constructive force in the growth of Ontario's capital market and its economy. It will also enable the OSC to better protect investors and to encourage more and improved education and information services.

In brief, the strategic priorities adopted by the Commission will, with self-funding, ensure that the OSC will serve Ontario's needs in a changing, international and increasingly complex marketplace.

Context

The Ontario Securities Commission administers and enforces the province's securities legislation. Its mandate is to:

- protect investors from unfair, improper or fraudulent practices.
- foster fair and efficient capital markets.
- maintain public and investor confidence in the integrity of those markets.

The principles guiding the OSC in its pursuit of this mission include:

- timely and efficient administration and enforcement.
- transparency in its operations and policy making.
- coordination of activities with other securities regulators in Canada and elsewhere.
- strategic partnerships with recognized self-regulatory organizations (SROs), such as The Toronto Stock Exchange (TSE) and the Investment Dealers Association of Canada (IDA), to which the OSC has delegated certain functions.

The major services provided by the OSC include:

- reviewing issuers' prospectuses.
- providing registration services for dealers and advisors.
- investigating complaints and prosecuting violations of securities legislation.
- considering applications for exemption from specific regulatory requirements.
- monitoring disclosure documents issued by public companies and mutual funds on an ongoing basis.
- holding administrative and adjudicative hearings.
- overseeing the enforcement and regulatory activities of SROs.
- formulating policy.

The OSC considers the constituencies which it serves to include:

- individual and institutional investors.
- corporations and others that issue and raise capital through Ontario's capital markets.
- intermediaries through which securities are traded.
- self regulatory organizations.
- other securities regulators.
- legal, accounting and other professional advisors.
- the government of Ontario.
- the media.
- the general public.

Key Priorities for the 1997/1998 Fiscal Year

The 1997/1998 fiscal year will be a year of transition for the OSC as it moves towards becoming a self-funding organization. As a result, the OSC intends to focus its resources on the following key priorities:

- managing the transition to a self-funding agency.
- harmonizing regulatory standards and extending mutual reliance (greater coordination) among all of the securities regulators in Canada.
- establishing an OSC Web Site.
- responding to task force reports including the Allen Report on continuous disclosure, Recommendations of the CSA Investment Funds Implementation Committee, the TSE Report on Fragmentation, and the Small Business Financing Task Force Report.
- substantially completing the Reformulation process.

The OSC recognizes that there are other key priorities such as enforcement, technology issues, and moving to greater emphasis on continuous disclosure, which deserve attention; however, it recognizes that any significant improvements in these areas depend upon self-funding status, the effects of which may not be fully realized until the next fiscal year. Therefore, these items will become key priorities after the transition to a self-funding organization has been achieved.

The following sets out the challenges facing the OSC, the goals and focus of a changing OSC during the next three years, strategies for change, and specific programmes and targets. This information provides a blueprint for how the OSC intends to direct its resources over the next three years.

Challenges Facing the OSC

As with any successful organization, the OSC must adapt to challenges within its operating environment if it is to contribute to the creation of economic growth and jobs in the province of Ontario through fair and efficient capital markets.

Changing Environment

These challenges take the form of the ongoing changes which are occurring to the business environment, capital markets, market participants, and the regulatory framework.

The economic environment is changing in numerous ways and at an unprecedented pace. These changes have a direct and profound impact on the nature of capital markets, the services that market participants expect of their regulator, and the regulatory environment required to attract and to retain capital.

Changing Business World

The business environment is increasingly international in scope, creating a vast marketplace in which Ontario is but one, relatively small, participant. While Ontario may constitute the country's largest single capital market, the total value of shares traded in Canada as a whole is less than 5 per cent of that in the United States.

Changing Markets

Capital markets are becoming increasingly global and complex. The market itself is changing, with an increasing shift from trading in primary markets (the issuance of new securities) to secondary markets activity. Technology is driving market innovation rather than the other way around.

Financial products, trading techniques and strategies are becoming more sophisticated. Capital raising alternatives are available to participants throughout the world. Capital itself is increasingly mobile, moving easily across national borders.

The financial services industry is consolidating and becoming increasingly integrated. The nature of market participants is changing, as evidenced by the number of bank-owned investment dealers.

Changing Stakeholder Needs

Market participants want regulators to provide clearer rules and more accessible, user-friendly services. Technology is levelling the market playing field by increasing the variety and speed of information and services available to investors.

The number of market participants to be served by regulators has grown tremendously. Companies are listing or offering their securities in more than one national jurisdiction.

Faster response times are needed to match shrinking decision-making windows. Investors require measures which will enhance their sense of confidence in the integrity of capital markets. Market participants are expected to operate in a manner that will generate a greater sense of investor confidence in the integrity of the capital markets.

Market participants want market regulators to provide a clear sense of policy direction.

Changing Regulatory Framework

Regulatory supervision must better reflect the dominance of secondary markets over primary ones.

Market participants can seek out the most effective regulatory environment. Regulatory frameworks can, therefore, facilitate or impede capital formation in Ontario. Regulators must keep current with industry developments.

Regulators must be able to supervise participants operating across national borders. As a result, there is a growing need for international regulatory coordination and harmonization.

The changing nature of market participants is creating regulatory and jurisdictional complications.

Restructuring

The OSC has consolidated its operations from eight units into four, flattened its organization, streamlined its procedures, integrated its work processes, and – as contemplated by its governing legislation – has delegated some responsibilities to self-regulatory organizations.

Rule-making authority sought and obtained by the OSC permits it to be more responsive in regulating a dynamic industry. Legislative amendments enacted in 1994 have increased the OSC's rule-making and enforcement powers.

The policy reformulation project, currently well advanced, will make the regulatory environment more predictable, eliminate unnecessary regulation, and create more effective rules.

Business Planning

The OSC's operating units have developed business plans and new strategic directions. Performance management measures are being identified to enhance accountability.

The Goals and Focus of a Changing OSC During the Next Three Years

The OSC's three-year planning process has already yielded a number of tangible benefits in the form of a more effective structure and more efficient work processes within the OSC. The new Business Plan and ongoing planning are structured to ensure that the OSC can, during the next three years, build upon the framework that has been put in place.

The Focus

The OSC will focus on being a relevant and constructive force in the growth of Ontario's capital market and its economy and in the protection of investors by:

- encouraging and supporting self regulation of the securities markets.
- using education to encourage honest and fair practices.
- being prepared to investigate, bring forward and enforce actions against serious infractions.
- assisting market participants in complying with regulatory requirements.
- working in cooperation with the securities industry to respond quickly to emerging market issues.

The Goals

The goals of a changing OSC are to:

- provide an efficient and effective regulatory environment.
- contribute to the creation of economic growth and jobs in the province of Ontario.
- enhance Ontario's competitiveness within the international economy.
- maintain Ontario as an attractive investment destination.

Strategies for Change

The strategies to be followed in pursuit of these goals will reflect five priority areas:

Focus

- target visible and effective enforcement efforts towards significant risks to the system.
- rely on greater self-regulation by SROs, accompanied by greater and more effective oversight of their activities.
- focus more on broader issues of substance than on technical compliance matters.
- emphasize review of continuous disclosure.
- adopt a more priority-driven policy-making process.

Responsiveness

- assist market participants in their efforts to comply with regulatory requirements.
- promote easier access to capital markets by small businesses.
- adopt or adapt positive regulatory developments in other major securities markets.
- provide faster, more accessible and more responsive service.
- adopt a more collaborative approach to dealings with stakeholders.

Credibility

- ensure that investors have access to the data they need to make informed decisions.
- improve the consistency and quality of opinions provided by staff.
- set realistic and achievable workloads, targets and completion dates.
- run the OSC in a more businesslike manner.
- incorporate performance measurements to ensure greater accountability.

Communications

- provide greater information about the OSC, its priorities and activities.
- expand services to inform and educate investors, registrants and issuers.
- increase the dialogue with stakeholders regarding the nature/scope of OSC activities.
- develop the technologies and infrastructure required to communicate more effectively.

Resources

- recruit and retain personnel with required skills.
- engage qualified and experienced personnel to restore necessary staff resources.
- invest in the necessary information technology systems.

Specific Programmes and Targets

Given the above priorities and longer term objectives, the OSC has developed specific objectives for the three fiscal years beginning with 1997/98.

Corporate OSC

1. Monitor and manage relationships with external stakeholders.
2. Manage agency transition issues in connection with the move to self-funding status.
3. Establish and implement an evaluation system for OSC performance and success against targets.
4. Develop proposals to move securities dealers and mutual fund dealers into an SRO.
5. Develop a framework for SRO oversight.
6. Shift the primary regulatory emphasis to secondary markets.
7. Improve customer service and information systems through automation.
8. Promote and carry on discussion for adopting mutual reliance amongst Canadian securities regulators.

Market Operations

1. Implement effective risk-based screening and review of all files, shifting the emphasis to continuous disclosure.
2. Streamline the registration process and requirements.
3. Streamline the processing of routine applications.
4. Implement compliance reviews for advisors.
5. Increase monitoring activity in relation to the investment funds industry.
6. Introduce staff development and quality control programs to ensure quality and consistent operations, and the retention of qualified personnel.
7. Work towards Internet filing of documents.
8. Adopt or adapt, following meaningful consultation, relevant initiatives implemented by other securities commissions.

Enforcement

The branch will focus on systemic issues including cases involving illegal insider trading; inadequate, improper or fraudulent disclosure; market manipulation and improper or illegal activity involving industry-wide issues.

The branch will enhance its ability to bring certain cases forward in a more timely and efficient manner. This goal will be pursued through improved staffing, technological developments and inter-jurisdictional cooperation. The branch will also respond to an increasing number of referrals from Market Operations concerning deficient disclosure documents and questionable conduct within the investment funds industry. Objectives include:

1. Strengthen enforcement services by hiring experienced investigative, forensic, accounting and legal staff.
2. Strengthen investigations through the electronic reconstruction of trades.
3. Link Canadian securities regulators through a national, shared data base and with the North American Securities Administrators Association (NASAA) data base.
4. Improve investigative efficiency through document scanning technology.

Corporate Relations

1. Create and staff a central unit for public inquiries and complaints.
2. Build a communications infrastructure including an Internet web site for the OSC Bulletin, other documents and investor education services.
3. Publish and disseminate additional investor-oriented information materials.
4. Conduct Investor Town Meetings in a number of regional centres across Ontario.

Corporate Services

1. Link OSC services to SEDAR implementation (System for Electronic Document Analysis and Retrieval).
2. Improve OSC services through training, systems and operational planning.
3. Introduce a flexible information technology structure.
4. Develop new data base and information products.

Policy Development

1. Develop guidelines for securities-related transactions on the Internet.
2. Respond to the Allen Report on Continuous Disclosure and the TSE Special Committee Report on Fragmentation.
3. Develop an implementation plan in response to recommendations of the CSA Investment Funds Implementation Committee.
4. Develop an implementation plan in response to recommendations of the Small Business Financing Task Force.

Conclusion

The individual priorities are each steps to achieving the longer-term priority, that of a strong, autonomous, adequately funded OSC functioning as a relevant and constructive force in the growth of Ontario's capital market and its economy.

Appendix B
Excerpt of the OSC Business Plan

Key Strategic Challenges

The OSC must recognize the challenges it faces in its operating environment if it is to achieve its goals. These challenges take the form of changes to the business environment, capital markets, market participants and the regulatory framework.

Globalization and Integration of Markets

Increasingly, the business environment is global in scope and firms are being serviced by integrated banking, insurance and securities conglomerates that operate worldwide. Capital flows quickly from market to market. New products and trading strategies developed in one market soon spread to all.

The Impact of Technology

Technology is driving market innovation and facilitating the creation of more sophisticated financial products, trading techniques and strategies. More information is available faster to all investors. Transaction times have shortened, as have the windows of market opportunity. Competition between markets has increased as services formerly provided locally can now be supplied from remote locations using technology.

Increasing Dominance of the Secondary Market

At the time most securities legislation was designed, initial issues of securities constituted a substantial percentage of total trading volumes. Now, secondary market trading volumes are more than fifteen times primary market activities and that dominance is increasing.

Community Expectations and Needs

Market participants and investors want regulators to provide clearer rules, more accessible, user-friendly services and faster response times. Investors are demanding a greater sense of confidence in the integrity of the capital markets and regulators are expected to ensure market participants operate in a way that generates that confidence.

These challenges are not unique to the OSC. However, when seeking solutions, we must be particularly aware that our actions may have more immediate impact on the domestic/local economy than the actions of many other regulators owing to the importance of the financial services industry to the economy of Ontario. The financial services industry is the second largest contributor to gross domestic product (after the manufacturing sector) and the fifth largest employer in the Metro Toronto region.[1] On a province-wide basis, the financial services industry contributes more than 15 per cent of the province's GDP.[2]

Key Strategies for Achieving Mission

The strategies that will be followed to achieve the OSC's objectives reflect five themes: focus, responsiveness, credibility, communications and resources.

Focus – The OSC's resources will be allocated to maximize the regulatory return on the resources invested.

- Enforcement actions will be targeted at activities that pose significant risks to the system.
- More emphasis will be placed on oversight of SROs rather than direct regulation of registrant activities.
- We will adopt a more priority-driven policy-making process, targeting broad issues of substance, rather than technical compliance issues.
- The importance of the secondary market will be acknowledged by the enhancement of activities related to secondary market concerns, such as the review of continuous disclosure documents.

Responsiveness – The OSC must respond quickly to changes in the marketplace and must be able to provide market-focused and investor-focused solutions to the demands of market participants.

- Greater emphasis will be placed on initiatives designed to assist market participants in their efforts to comply with regulatory requirements and to promote easier access to capital markets by small businesses.
- We will review the way we consult with the public in order to make more effective use of their opinions and knowledge.
- We will use positive regulatory developments from other jurisdictions through an "adopt or adapt" strategy.
- Our services will be improved to be faster, more accessible and more responsive to customers needs.

[1] The Boston Consulting Group, "Financial Services at the Crossroads – The Current and Potential Role of Financial Services in the Greater Toronto Area", January 1997.

[2] Office of Economic Policy, Ministry of Finance, "Ontario Economic Accounts", February 1997.

Credibility – We will enhance the credibility of the OSC by ensuring the information we require issuers to make public is available to investors on a timely basis and useful to them in making informed investment decisions.

- The consistency and quality of the information provided by OSC staff to the public will be improved.

- The value we provide to the marketplace will be enhanced by running the OSC on a more business-like basis through the establishment of realistic performance targets and by meeting those targets.

Communications – Communication is a fundamental component of the OSC's strategy and will be important for the successful delivery of its programs.

- We will provide more public information about the OSC, its priorities and activities, expand information and education services for investors, registrants and issuers and increase our dialogue with market participants and the public regarding the nature and scope of the OSC's activities.

Resources – In order to achieve these goals, and to provide the appropriate level of services to the public in a timely manner, the OSC must make a substantial investment in both human and technological capital. We will:

- ensure our staff are able to meet the challenges of the dynamic securities marketplace by developing a workforce with the necessary skills and knowledge through training and targeted hiring.

- make strategic investments in information technology to enhance the OSC's activities.

Appendix C
Index of Requests for Comments Published by the Commission

Notice of Proposed National Instrument – System for Electronic Document Analysis and Retrieval (SEDAR)
May 10, 1996
(1996), 19 OSCB 2345

Proposed Rule and Policy Under the Securities Act (Ontario) – Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions
May 31, 1996
(1996), 19 OSCB 2981

Proposed Rescission of Interim Policy Statement No. 11.1 – Mutual Fund Trusts; Approval of Mutual Fund Trustees pursuant to clause 213(3)(B) of the Loan And Trust Corporations Act, 1987 (Formerly Bill 116)
June 14, 1996
(1996), 19 OSCB 3335

Proposed Revocation of Eurosecurity Financing Blanket Ruling
June 14, 1996
(1996), 19 OSCB 3337

Notice of Proposed Rule and Proposed Policy under the Securities Act – Strip Bonds
June 21, 1996
(1996), 19 OSCB 3467

National Definition Rule and Numbering Systems – Notice of Proposed National Instrument 14-101
August 2, 1996
(1996), 19 OSCB 4253

Sales Practices Applicable to the Sale of Mutual Fund Securities – Notice of Proposed Rule and Proposed Companion Policy under the Securities Act
August 30, 1996
(1996), 19 OSCB 4727

Rule 31-501 – Proposed Companion Policy 31-501CP and Rescission of Policy – Registrant Relationships
August 30, 1996
(1996), 19 OSCB 4748

Rule 31-502 – Proposed Companion Policy 31-502CP and Rescission of Policy – Proficiency Requirements for Registrants
August 30, 1996
(1996), 19 OSCB 4751

Rule 31-503 – Limited Market Dealers and Rescission of Policy
August 30, 1996
(1996), 19 OSCB 4763

Rule 31-504 – Application for Registration
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(1996), 19 OSCB 4766

Rule 31-505 – Conditions of Registration
August 30, 1996
(1996), 19 OSCB 4766

Rule 35-503 – Trades by Certain Members of The Toronto Stock Exchange
August 30, 1996
(1996), 19 OSCB 4775

Rule 46-501 – Self-Directed Registered Education Savings Plans
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(1996), 19 OSCB 4779

Rule 14-501 – Definitions – Notice of Proposed Rule under the Ontario Securities Act
September 6, 1996
(1996), 19 OSCB 4895

Expedited Review of Short Form Prospectuses and Renewal AIFs
September 27, 1996
(1996), 19 OSCB 5325

Proposed Rescission of National Policy – Financing of Film Productions
October 4, 1996
(1996), 19 OSCB 5443

Notice of Proposed Revocation of Certain Deemed Rules
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(1996), 19 OSCB 5951

Rule 91-504 – Over-The-Counter Derivatives – Notice of Proposed Rule and Proposed Policy under the Securities Act
November 1, 1996
(1996), 19 OSCB 5954

Take-Over Bids – Defensive Tactics – Notice of Proposed National Policy 62-202 and Rescission of National Policy Statement No. 38
November 29, 1996
(1996), 19 OSCB 6495

Bids Made Only In Certain Jurisdictions – Notice of Proposed National Policy 62-201 and Rescission of National Policy Statement No. 37
December 6, 1996
(1996), 19 OSCB 6661

Notice of Proposed National Instrument – National Instrument 32-101 – Small Securityholder Selling and Purchase Arrangements and Revocation of Deemed Rules
January 17, 1997
(1997), 20 OSCB 245

Notice of Proposed Rule 55-502 under the Securities Act – Facsimile Filing or Delivery of Insider Reports
January 24, 1997
(1997), 20 OSCB 377

Canadian Securities Administrators' Notice 81-301 – Mutual Fund Prospectus Disclosure System Concept Proposal
January 31, 1997
(1997), 20 OSCB 559

Canadian Derivatives Clearing Corporation – Request for Comment Regarding Proposed Rule Amendment for Access to and Dissemination of Information
January 31, 1997
(1997), 20 OSCB 570

Mutual Fund Reinvestment Plans – Rule 81-501 – Notice of Proposed Changes to Proposed Rule
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(1997), 20 OSCB 811

Notice of Proposed Rescission of Section 12 and Form 29 of Regulation 1015 to the Securities Act (Ontario) – Continuous Disclosure Obligations of Finance Companies
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(1997), 20 OSCB 1341

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(1996), 19 OSCB 6923

Rule 32-503 – Registration and Prospectus Exemption for Trades by Financial intermediaries in Mutual Fund Securities to Corporate Sponsored Plans – Notice of Final Rule under the Securities Act
December 20, 1996
(1996), 19 OSCB 6923

Rule 32-502 – Registration Exemption for Certain Trades by Financial Intermediaries – Notice of Final Rule under the Securities Act
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(1996), 19 OSCB 6926

National Instrument 14-101 – Definitions – National Instrument Definitions – Notice of Final Rule under the Securities Act
December 20, 1996
(1996), 19 OSCB 6927

Deemed Rules – Notices of Final Rules under the Securities Act
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(1996), 19 OSCB 6933

Rescission of OSC Interim Policy Statement No. 11.1 – Mutual Fund Trusts: Approval of Mutual Fund Trustees pursuant to clause 213(3)(b) of the Loan and Trust Corporations Act, 1987 (formerly Bill 116)
January 17, 1997
(1997), 20 OSCB 243

Rule 91-502 – Trades in Recognized Options – Notice of Final Rule under the Securities Act
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(1997), 20 OSCB 361

Rule 91-503 – Trades in Commodity Futures Contracts and Commodity Futures Exchanges Situated outside Ontario – Notice of Final Rule under the Securities Act
January 24, 1997
(1997), 20 OSCB 374

Rule 32-502 – Registration Exemption for certain Trades by Financial Intermediaries
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(1997), 20 OSCB 699

Rule 32-503 – Registration and Prospectus Exemption for trades by Financial Intermediaries in Mutual Fund Securities to Corporate Sponsored Plans
February 7, 1997
(1997), 20 OSCB 700

Eurosecurity Financings – Notice of Revocation of Deemed Rule under the Securities Act
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(1997), 20 OSCB 1075

Deemed Rules made into Final Rules – Notice of Final Rule under the Securities Act
March 7, 1997
(1997), 20 OSCB 1217

Appendix E
Index of Notices of Hearings Issued by the Commission

964178 Ontario Inc., George Gantcheff, Stan Zipkin, Philip Molson and David Ezagui
s. 127 dated April 30, 1996
(1996), 19 OSCB 2312

Bruce Alan Warrington and Moneysem Financial Consultants Inc.
s. 127(1) dated May 7, 1996
(1996), 19 OSCB 2314

Stephen R.B. Bingham, Susan McKenna Grant and William J. McClintock
s. 127 dated May 23, 1996
(1996), 19 OSCB 3313

Centre Financier Globex Inc., Centre Financier Kimex Inc., P.O.R.T. Reg'd., F.L.O.R.A., A.P.D.E. Reg'd., A.G.R.O. Reg'd., L.T.A. Reg'd., C.S.I. Reg'd., A.I.R. Reg'd., E.D.I.E. Systems Register L.E.A.P. Reg'd., R.E.F.S. Systems Register, N.M.P. Reg'd.,R.L.S.R.C. Reg'd., F.R.R.I. Reg'd., E.P.U. Reg'd., N.C.D.I.A. Reg'd., C.O.M.P. Reg'd., O.R.T.H., I.D.E. Systems Register, B.I.O., K.I.T.T., O.R.G.A., Z.A.P., P.F.S. Reg'd., J.G.R. Reg'd., L. Daniel Barnabe, Henri Racine, Jeannine A. Laverdure and Diane Laverdure
Notice of Continuation of Hearing
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(1996), 19 OSCB 3315

Lawrence Ryckman
s. 127 dated June 17, 1996
(1996), 19 OSCB 3433

Alexis Fortuna-St. John, Antonia Storm-St. John and Phoenix Head Enterprises of Canada
s. 127 dated June 20, 1996
(1996), 19 OSCB 3706

Marchment & MacKay Limited, Amit James Sofer, Charles Lorne Ornstein, Jerry Murray Saltsman, Norman Frydrych, Gregory Charles Osborne and Fraser John Edward Plant
s. 37 and 127 dated August 2, 1996
(1996), 19 OSCB 4543

Robert Frederick Rose
s. 127 dated August 27, 1996
(1996), 19 OSCB 4699

1173219 Ontario Limited c.o.b. as TAC (The Alternate Choice), Douglas R. Walker, David C. Drennan, Steven Peck and Ray Ricks
s. 127 dated September 6, 1996
(1996), 19 OSCB 4971

The Tarxien Corporation and Ventra Group Inc.
s. 127 dated November 11, 1996
(1996), 19 OSCB 6257

Arnold Guettler, Neo-Form North America Corp. and Neo-Form Corporation
s. 127 dated January 10, 1997
(1997), 20 OSCB 203

Canadian 88 Energy Corp. and West Central Capital Corporation
s. 104 and 127 dated February 6, 1997
(1997), 20 OSCB 786

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Inland National Capital Ltd.
ss. 8(2) dated April 17, 1996
(1996), 19 OSCB 2053

Terence Edward Robinson, Peter Jeffrey Robinson, Peter Robinson, Alexander Zukovs, Robcorp Inc., Traz Holdings Inc., Belair Capital Group Limited, Yorkton Securities Inc. and Leonard Latchman
s. 128 dated May 14, 1996
(1996), 19 OSCB 2643

Med-Tech Environmental Limited
ss. 61(1) dated May 15, 1996
(1996), 19 OSCB 2679

Guard Inc.
ss. 8(2) dated June 27, 1996
(1996), 19 OSCB 3737

Belteco Holdings Inc., Torvalon Corporation, Gary Salter, Elaine Salter, Peter Arthur Mitchell, Rodika Florika, Glen Erikson, Christine Erickson, Kai Hoesslin, Harcourt Wilshire, 921159 Ontario Inc. and 918211 Ontario Inc.
Reasons for Decision Motion to Stay Proceedings dated July 4, 1996
(1996), 19 OSCB 3871

Decision and Reasons on Interlocutory Motions Heard August 28 and 29, 1996
dated December 3, 1996
(1996), 19 OSCB 6623

Glendale Securities Inc., Louis Shefsky and Westall Parr
Motion for an Order Staying Proceedings dated July 9, 1996
(1996), 19 OSCB 3874

Motion dated November 12, 1996
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Marchment & MacKay Limited, Amit James Sofer, Charles Lorne Ornstein, Jerry Murray Saltsman, Norman Frydrych, Gregory Charles Osborne and Fraser John Edward Plant
Motion for Bias dated October 22, 1996
(1996), 19 OSCB 6163

Motion to Quash for Lack of Jurisdiction dated December 4, 1996
(1996), OSCB 6637

The Tarxien Corporation and Ventra Group Inc.
Reasons for Decision dated December 13, 1996
(1996), 19 OSCB 6913

Belteco Holdings., Torvalon Corporation, Gary Salter, Elaine Salter, Peter Arthur Mitchell, Rodika Florika, Glen Erikson, Christine Erikson, Kai Hoesslin, Harcourt Wilshire, 921159 Ontario Inc., 918211 Ontario Inc.
Decisions and Reasons dated March 10, 1997
(1997), 20 OSCB 1333

Appendix G

Index of Chairs' Addresses

Copies of each of these addresses are reprinted in the OSC Bulletin as noted or may be obtained by calling Corporate Relations at (416) 593-8117.

John A. Geller
Remarks at Dialogue with the OSC
October 29, 1996 – (1996), 19 OSCB 6120

Questions Investors Need to Ask
Feb. 21, 1997 – (1997), 20 OSCB 894

Edward J. Waitzer
Re-inventing Financial Services Regulation: The Challenge of Rote, Rigor, and Relevance
May 6, 1996 – (1996), 19 OSCB 2315

Canadian Corporate Strategy: Designing for Growth
May 14, 1996 – (1996), 19 OSCB 2610

Crisis Performance & Collaboration in Financial Regulation
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Embracing Technology
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"Too Many Cooks ..."
June 17, 1996 – (1996), 19 OSCB 3422

In Praise of Regulatory Modesty
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Opening Ceremony Remarks – XXI IOSCO Annual Conference
September 18, 1996 – (1996), 19 OSCB 5074

Capital Adequacy Convergence
Sept. 19, 1996 – (1996), 19 OSCB 5076

Some Thoughts on Governance – How and Why
Oct. 22, 1996 – (1996), 19 OSCB 5830

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